

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2015

**CLASSICAL ACADEMY CHARTER SCHOOL
OF CLIFTON**

***Classical Academy Charter School of Clifton
Board of Trustees
Clifton, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Prepared by

***Classical Academy Charter School of Clifton
Finance Department***

And

Barre & Company, CPAs

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INTRODUCTORY SECTION

***CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
20 VALLEY ROAD
CLIFTON, NEW JERSEY 07013***

December 15, 2015

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

Dear Board Members:

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

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Classical Academy Charter School of Clifton with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information

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

Charter School Organization

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

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

1. REPORTING ENTITY AND ITS SERVICES: Classical Academy Charter School of Clifton constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

Now in its 16th year of existence, the Classical Academy Charter School of Clifton, County of Passaic’s first public charter school, continues to reach new milestones. Each year the school realizes its mission and attains, indeed, surpasses by large margins, many of its goals and objectives for collectively and individually high student learning outcomes, and for achieving overall institutional success, objectively measured and acclaimed.

For a more detailed account of the Classical Academy Charter School of Clifton’s school and academic program, and the school’s many accomplishments, interested parties are urged to call the school (973-278-7707) and request a copy of the ‘Academic and school program,’ or consult the state’s online ‘Report Card’ (the narrative portion) or the Classical Academy Charter School of Clifton’s own website:(www.classicalacademy.org)

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

Classical Academy Charter School of Clifton provides a full range of educational services appropriate to Grades 6-8. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2014-2015 school year with an enrollment of 116 students. The following details the student enrollment of the Charter School.

| <u>Average Daily Enrollment</u> | | |
|---------------------------------|---------------------------|-----------------------|
| <u>Fiscal Year</u> | <u>Student Enrollment</u> | <u>Percent Change</u> |
| 2014-2015 | 115 | 0.87% |
| 2013-2014 | 117 | -1.74% |
| 2012-2013 | 116 | 0.85% |
| 2011-2012 | 118 | 0.80% |
| 2010-2011 | 115 | -0.01% |

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

The Classical Academy Charter School of Clifton produces outstanding results, consistently and at the highest levels, is not a subjective appraisal. In 2008 the Federal Dept. of Education honored the school with a “National Blue Ribbon School of Excellence’

award (only the 2nd New Jersey public charter school in 16 years to be so honored); in 2012 the New Jersey Dept. of Education designated the Classical Academy Charter School of Clifton a 'REWARD' school, its designation for high-achieving public schools, charter and traditional; and in 2013, the 'National New Campaign for Achievement Now' (NJCAN), a citizens education action group, recognized the Classical Academy Charter School of Clifton with its 'TOP TEN' awards: one award for being a top ten NJ school for educating 'Low Income Students' and another 'Top Ten' award for educating to high levels 'Latino Students', and one for overall excellence in middle-school education.

What is more, the Classical Academy Charter School of Clifton achieves these high student outcomes by spending \$9,000 for each student, a figure well below the prevailing per pupil cost.

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

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

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

B. 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 approved by the Board of Trustees and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

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

D. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2015.

E. CASH MANAGEMENT: The investment policy of the School is guided in large by the State Statute as detailed in "Notes to the Financial Statements," Note 2. The School had adopted a cash management plan, which 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 failed banking institutions in New Jersey. The law requires government units to deposit funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

F. RISK MANAGEMENT: The School carries various forms of insurance, including, but not limited to, general liability, fire and theft insurance on property and contents. The School also has student insurance coverage.

G. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The school's Board of Trustees selected The Accounting (CPA) firm of (Richard) Barre and Company of Union, New Jersey to conduct its mandated audit for fiscal year ended June 30, 2014. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

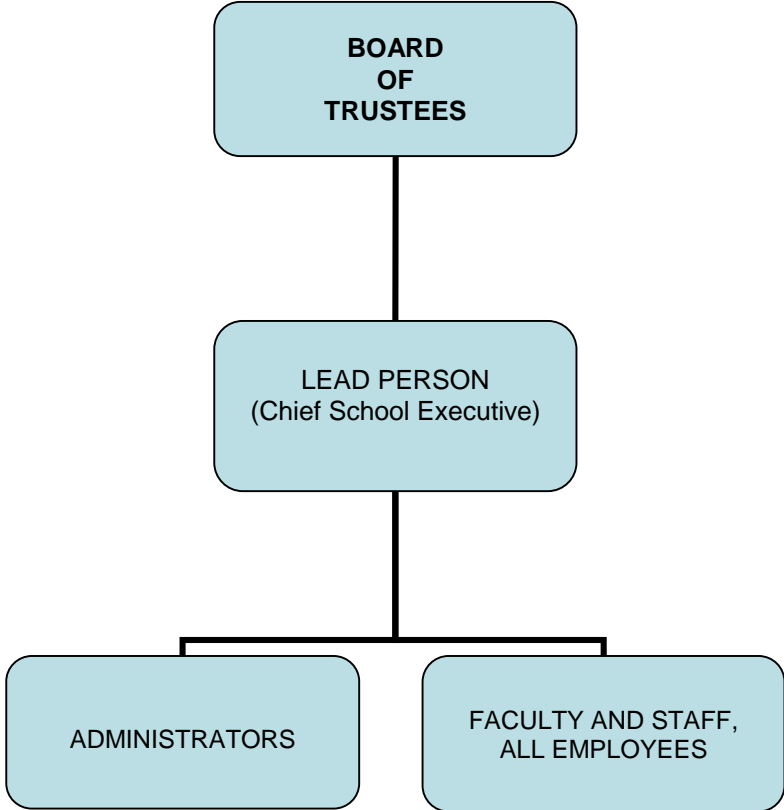
Respectfully submitted,



Vincent DeRosa
School Head/Lead Teacher

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

ORGANIZATIONAL CHART



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2015**

Voting Members

| <u>BOARD OF TRUSTEES</u> | <u>TERM EXPIRES</u> |
|---------------------------------|----------------------------|
| Rosa Richards, President | 2015 |
| John DaVita, Board Member | 2016 |
| Wafa Al-Rimawi | 2017 |
| Punita Meghani | 2016 |
| Hetal Sopariwala | 2017 |

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

Vincent De Rosa, Founder, School Head/Lead Teacher, and
Recording Board Secretary [Non-Voting]

Magda De Rosa, Administrative Assistant and Assistant SBA
[Non-Voting]

Bima Baje, School Business Administrator and Board Secretary [Non-Voting]

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Deborah J. Massaro, Esq.
1 Marilyn Place
Clifton, NJ 07011

Official Depository

TD Bank North
Clifton, NJ

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 5 to the basic financial statements, the Charter School implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment to the GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 16 and 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing

the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

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

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated December 15, 2015 on our consideration of the Classical Academy Charter School of Clifton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Richard M. Barre', written in a cursive style.

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

December 15, 2015

REQUIRED SUPPLEMENTARY INFORMATION – PART I

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)

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

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

Financial Highlights

Key financial highlights for 2015 are as follows:

- ❖ General revenues accounted for \$1,312,835 in revenue or 100% percent of all revenues.
- ❖ The Charter School had \$1,211,778 in expenses; none of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,312,835 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$1,284,132 in revenues and \$1,131,705 in expenditures. The General Fund's fund balance increased \$152,427 over 2014. This increase was anticipated by the Board of Trustees.
- ❖ During 2015, the Charter School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)
(CONTINUED)

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

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

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)
(CONTINUED)

Statement of Net Position and the Statement of Activities (Continued)

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Classical Academy Charter School of Clifton's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left a year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Classical Academy Charter School of Clifton's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)
(CONTINUED)

Fiduciary Funds

The Classical Academy Charter School of Clifton is the trustee or *fiduciary*, for assets that belong to other such as scholarship fund payroll and payroll agency funds, and student activity funds. The Classical Academy Charter School of Clifton is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Classical Academy Charter School of Clifton's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. I exclude these activities from the Classical Academy Charter School of Clifton's governmental-wide financial statements because the Classical Academy Charter School of Clifton cannot use these assets to finance its operations.

Notes to the Financial Statements

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

The Charter School as a Whole

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

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

The Charter School's combined net position were \$2,280,814 for 2015 and \$2,179,757 for 2014.

Governmental Activities

The Charter School's total revenues were \$1,312,835 for 2015 and \$1,220,106 for 2014, this includes \$38,219 for 2015 and \$38,219 for 2014 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$1,211,778 for 2015 and \$1,334,490 for 2014. Instruction comprises 57% for 2015 and 49% for 2014 of Charter School expenses.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)
(CONTINUED)

Governmental Activities (Continued)

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

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

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

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

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,312,835 for 2015 and \$1,220,106 for 2014 and expenditures were \$1,211,778 for 2015 and \$1,334,490 for 2014. The net change in fund balance for fiscal years 2015 and 2014 was most significant in the general fund, an increase of \$101,057 in 2015 and a decrease of \$114,384 in 2014.

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

| <u>Revenues</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Percent of Increase/ (Decrease)</u> |
|-----------------|---------------------|-----------------------------|--|
| Local Sources | \$ 1,082,205 | 82.43% | -39.31% |
| State Sources | 201,927 | 15.38% | -67.83% |
| Federal Sources | <u>28,703</u> | <u>2.19%</u> | -37.76% |
| Total | <u>\$ 1,312,835</u> | <u>100.00%</u> | |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)
(CONTINUED)

The Charter School's Funds (Continued)

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2015.

| <u>Expenditures</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Percent of Increase/ (Decrease)</u> |
|---------------------|---------------------|-----------------------------|--|
| Instruction | \$ 540,159 | 46.55% | -49.13% |
| Administration | 525,953 | 45.32% | -26.75% |
| Support Services | <u>94,296</u> | <u>8.13%</u> | <u>-63.43%</u> |
| Total | <u>\$ 1,160,408</u> | <u>100.00%</u> | |

General Fund Budgeting Highlights

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

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

For the Future

At the time these financial statements were prepared and audited, the Classical Academy Charter School of Clifton was aware of these existing circumstances that could significantly affect its financial health in the future:

- The State of New Jersey passed legislation which imposes a 2% cap on the underlying Charter School's tax levy.
- Future State Aid may be reduced due to the State's new criteria utilized in calculating allocations of State Aid.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)
(CONTINUED)

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Charter School's finance and to demonstrate the Charter School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Business Office, Classical Academy Charter School of Clifton, 20 Valley Road, Clifton, New Jersey 07103.

SECTION A – BASIC FINANCIAL STATEMENTS

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Statement of Net Position
June 30, 2015

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 1,710,687 | \$ - | \$ 1,710,687 |
| Interfund Receivables | 22,520 | | 22,520 |
| Receivables | 53,695 | | 53,695 |
| Capital Assets, Net | 555,175 | | 555,175 |
| Total Assets | 2,342,077 | - | 2,342,077 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pensions | 94,577 | | 94,577 |
| Total Deferred Outflows of Resources | 94,577 | - | 94,577 |
| LIABILITIES: | | | |
| Interfund Payable | \$ 20,206 | \$ - | \$ 20,206 |
| Payable to Federal Government | 4,076 | | 4,076 |
| Accounts Payable | 5,265 | | 5,265 |
| Deferred Revenue | 5,497 | | 5,497 |
| Other Current Liabilities | 2,853 | | 2,853 |
| Noncurrent Liabilities: | | | |
| Pensions | 111,307 | | 111,307 |
| Total Liabilities | 149,204 | - | 149,204 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pensions | 6,636 | | 6,636 |
| Total Deferred Inflows of Resources | 6,636 | - | 6,636 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 555,175 | | 555,175 |
| Invested in Capital Assets, Net of Related Debt | | | |
| Restricted for: | | | |
| Escrow | 5,000 | | 5,000 |
| Unassigned | 1,720,639 | | 1,720,639 |
| Total Net Position | \$ 2,280,814 | \$ - | \$ 2,280,814 |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Statement of Activities

For The Fiscal Year Ended June 30, 2015

| Functions/Programs | Expenses | Indirect Expenses Allocation | Program Revenues | | | Net (Expense) Revenue and Changes In Net Position | | |
|--------------------------------------|---------------------|------------------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | |
| Instruction | \$ 568,163 | \$ 140,827 | \$ - | \$ - | \$ - | \$ (708,990) | \$ - | \$ (708,990) |
| Administration | 399,781 | 48,025 | - | - | - | (447,806) | - | (447,806) |
| Support Services | 39,137 | 15,845 | - | - | - | (54,982) | - | (54,982) |
| Total Governmental Activities | <u>1,007,081</u> | <u>\$ 204,697</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,211,778)</u> | <u>-</u> | <u>(1,211,778)</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | |
| Food Service | - | - | - | - | - | - | - | - |
| Total Business-Type Activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 1,007,081</u> | <u>\$ 204,697</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,211,778)</u> | <u>\$ -</u> | <u>\$ (1,211,778)</u> |
| GENERAL REVENUES | | | | | | | | |
| General Purposes | | | \$ - | \$ - | \$ - | \$ 1,066,313 | \$ - | \$ 1,066,313 |
| Federal and State Aid Not Restricted | | | | | | 230,630 | | 230,630 |
| Tuition | | | | | | | | - |
| Miscellaneous Income | | | | | | 15,892 | | 15,892 |
| Total General Revenues | | | | | | <u>1,312,835</u> | | <u>1,312,835</u> |
| Change in Net Position | | | | | | 101,057 | | 101,057 |
| Net Position - Beginning | | | | | | 2,179,757 | | 2,179,757 |
| Net Position - Ending | | | | | | <u>\$ 2,280,814</u> | | <u>\$ 2,280,814</u> |

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENT FUNDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Governmental Funds
 Balance Sheet
 June 30, 2015

| | General Fund | Special Revenue Fund | Total |
|---------------------------------------|-----------------|----------------------------|--------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 1,705,687 | \$ - | \$ 1,705,687 |
| Restricted | 5,000 | | 5,000 |
| Interfund Receivables | 22,520 | | 22,520 |
| Receivables From Other Governments | 27,992 | 25,703 | 53,695 |
| | 1,761,199 | 25,703 | 1,786,902 |
| Total Current Assets | | | |
| | 1,761,199 | 25,703 | 1,786,902 |
| Total Assets | \$ 1,761,199 | \$ 25,703 | \$ 1,786,902 |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Interfund Payables | \$ - | \$ 20,206 | \$ 20,206 |
| Payable to Federal Government | 4,076 | | 4,076 |
| Accounts Payable | 5,265 | | 5,265 |
| Accrued Salaries and Benefits | 2,853 | | 2,853 |
| Deferred Revenue | | 5,497 | 5,497 |
| | 12,194 | 25,703 | 37,897 |
| Total Current Liabilities | | | |
| | 12,194 | 25,703 | 37,897 |
| Total Liabilities | 12,194 | 25,703 | 37,897 |
| Fund Balances: | | | |
| Assigned To: | | | |
| Escrow | 5,000 | | 5,000 |
| Unassigned: | | | |
| General Fund | 1,744,005 | | 1,744,005 |
| | 1,749,005 | - | 1,749,005 |
| Total Fund Balances | | | |
| | 1,749,005 | - | 1,749,005 |
| Total Liabilities and Fund Balances | \$ 1,761,199 | \$ 25,703 | |

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

| | |
|---|--------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$934,403 and the accumulated depreciation is \$379,228. | 555,175 |
| Net pension liability of \$111,307 ,deferred inflows of resources of \$6,636 less deferred outflows of resources of \$94,577 related to pensions are not reported in the governmental funds | (23,366) |
| Net Position of Governmental Activities | \$ 2,280,814 |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2015

| | General Fund | Special Revenue Fund | Total |
|-----------------------------|-----------------|----------------------------|--------------|
| REVENUES: | | | |
| Local Sources: | | | |
| Local Tax Levy | \$ 1,066,313 | \$ - | \$ 1,066,313 |
| Interest on Investments | 789 | | 789 |
| Miscellaneous | 15,103 | | 15,103 |
| Total Local Sources | 1,082,205 | | 1,082,205 |
| State Sources | 201,927 | | 201,927 |
| Federal Sources | | 28,703 | 28,703 |
| Total Revenues | 1,284,132 | 28,703 | 1,312,835 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction | 512,900 | 27,259 | 540,159 |
| Administration | 525,953 | | 525,953 |
| Support Services | 92,852 | 1,444 | 94,296 |
| Total Expenditures | 1,131,705 | 28,703 | 1,160,408 |
| NET CHANGE IN FUND BALANCES | 152,427 | | 152,427 |
| FUND BALANCES, JULY 1 | 1,596,578 | | 1,596,578 |
| FUND BALANCES, JUNE 30 | \$ 1,749,005 | \$ - | \$ 1,749,005 |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

| | | |
|---|-------------|-----------------|
| Total net change in fund balances - governmental fund (from B-2) | \$ | 152,427 |
| Amounts reported for governmental activities in the statement of activities (A-2) which are different: | | |
| <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p> | | |
| Depreciation Expense | \$ (28,004) | (28,004) |
| <p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p> | | |
| | | <u>(23,366)</u> |
| Change in net position of governmental activities | \$ | <u>101,057</u> |

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

PROPRIETARY FUNDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Proprietary Fund
Statement of Net Position
June 30, 2015

Not Applicable

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

Not Applicable

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Not Applicable

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

FIDUCIARY FUNDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2015

| | <u>Agency Fund</u> |
|-------------------------------------|------------------------|
| ASSETS: | |
| Cash and Cash Equivalents | \$ 27,148 |
| Total Assets | <u>\$ 27,148</u> |
| LIABILITIES: | |
| Interfund Accounts Payable | \$ 2,314 |
| Accounts Payable | 3,991 |
| Payroll Deductions and Withholdings | <u>20,843</u> |
| Total Liabilities | <u>\$ 27,148</u> |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For Fiscal Years Ended June 30, 2015

Not Applicable

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

NOTES TO THE FINANCIAL STATEMENTS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: DESCRIPTION OF THE CHARTER SCHOOL REPORTING ENTITY

Classical Academy Charter School of Clifton (the "Charter School") was incorporated in the State of New Jersey in 2002 as a non-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School's Board of Trustees (the "Board") is responsible for the fiscal control of the Charter School. A head of school is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statues, the Charter School's duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Classical Academy Charter School of Clifton ("the Charter School") have been prepared in conformity with generally accepted accounting principles generally (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standards-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

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

A. Reporting Entity

A reporting entity is comprised of the primary government component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter, this includes general operations, food service and student related activities of the Charter School.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The primary criterion for including activities within the School's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. The Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

B. Basis of Presentation

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

Charter School Government-wide Financial Statements: The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

C. Fund Accounting

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

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Governmental Funds (Continued)

The Charter School reports the following governmental funds:

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

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2015 there was no Capital Projects Fund.

Debt Service Fund: Not Applicable

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Governmental Funds (Continued)

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

The Charter School reports the following proprietary fund:

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

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

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Governmental Funds (Continued)

is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement or results of operations.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. ***Basis of accounting*** refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determine and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, 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. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting to the GAAP basis of accounting

| | 2015 |
|--|-----------|
| Total Revenues & Expenditures (Budgetary Basis) | \$ 28,703 |
| Adjustments: | |
| Less Encumbrances at June 30, 2015 | - |
| Plus Encumbrances at June 30, 2014 | - |
| Total Revenues and Expenditures (GAAP Basis) | \$ 28,703 |

F. Cash, Cash Equivalent and Investments

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

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalent and Investments (Continued)

("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

Cash and cash equivalents include petty cash, change funds N.J.S.A. 17:9-41 et. seq. established 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, bank (both state and national banks) and saving bank 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 deposit 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.

G. Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Position.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

I. Capital Assets:

Capital assets, which include building and building improvements, equipment and furniture are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with 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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|------------------------------------|-------------------------------|
| Building and Building Improvements | 25 |
| Equipment | 10 |

J. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2015.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Accrued Liabilities and Long-Term Obligations (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

L. Deferred Revenue:

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

M. Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of 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:

1. Nonspendable – includes amounts that cannot be spent because they 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 determined by a formal action of the government's highest level of decision-making authority.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Equity (Continued)

4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

5. Unassigned – includes all spendable amounts not contained in the other classifications.

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

N. Management Estimates

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

O. On-Behalf Payments

Revenues and expenditures of the General Fund include payments made by the state of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget.

P. Net Position

The Classical Academy Charter School of Clifton implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position (Continued)

A deferred outflow of resources is a consumption of net position by the Classical Academy Charter School of Clifton that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Classical Academy Charter School of Clifton that is applicable to a future reporting period. The Classical Academy Charter School of Clifton did not have any deferred inflows or outflows of resources at June 30, 2015.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Q. Pensions

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3: DEPOSITS AND INVESTMENTS

New Jersey statutes require that Charter 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. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

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

Deposits

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

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

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

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
- c. Bonds or other obligations of the Charter School.

As of June 30, 2015, the Charter School's carrying of deposits and investments are as follows:

| | General Fund | Special Revenue | Fiduciary Funds | Total |
|----------------------|-----------------|--------------------|--------------------|--------------|
| Operating Account | \$ 1,710,687 | \$ - | \$ 27,148 | \$ 1,737,835 |

The Charter School had no investments at June 30, 2015.

The carrying amount of the Board's cash and cash equivalents at June 30, 2015 was and the bank balance was \$1,737,835. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name.

Category 3 — Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School's name.

As of June 30, 2015, the Charter School had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land and Land Improvements | \$ 151,300 | \$ - | \$ - | \$ 151,300 |
| Total Capital Assets Not Being Depreciated | <u>151,300</u> | <u>-</u> | <u>-</u> | <u>151,300</u> |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Building and Building Improvements | 617,442 | - | - | 617,442 |
| Machinery and Equipment | 165,661 | - | - | 165,661 |
| Totals at Historical Cost | <u>783,103</u> | <u>-</u> | <u>-</u> | <u>783,103</u> |
| Less Accumulated Depreciation For: | | | | |
| Building and Building Improvements | 203,078 | 16,787 | - | 219,865 |
| Machinery and Equipment | 148,146 | 11,217 | - | 159,363 |
| Total Accumulated Depreciation | <u>351,224</u> | <u>28,004</u> | <u>-</u> | <u>379,228</u> |
| Total Capital Assets Being Depreciated, Net of Accumulated Depreciation | 431,879 | (28,004) | - | 403,875 |
| Government Activity Capital Assets, Net | <u>\$ 583,179</u> | <u>\$ (28,004)</u> | <u>\$ -</u> | <u>\$ 555,175</u> |

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4: CAPITAL ASSETS (CONTINUED)

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

NOTE 5: PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

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

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

Contributions

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

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

Contributions (Continued)

with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 5,172 for fiscal year 2015.

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

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

At June 30, 2015, the Charter School reported a liability of \$ 111,307 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 which was rolled forward to June 30, 2014. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Charter School's proportion was 0.00059450%.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| | <hr/> | <hr/> |
| Changes in Assumptions | \$ 3,500 | \$ - |
| Changes in Proportion | 91,077 | - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | 6,636 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | \$ 94,577 | \$ 6,636 |

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

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

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

| Fiscal Year Ending June 30, | Total |
|--------------------------------|------------|
| 2015 | \$ (1,438) |
| 2016 | (1,438) |
| 2017 | (1,438) |
| 2018 | (1,438) |
| 2019 | 1,128 |
| Thereafter | 497 |
| | \$ (4,126) |

Actuarial Assumptions

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

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and June 30, 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and June 30, 2013, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Fiscal Year Ended June 30, 2014 | | |
|---|---------------------------------|-------------------------------------|---------------------------|
| | 1% Decrease (4.39%) | Current Discount Rate (5.39%) | 1% Increase (6.39%) |
| Charter School's proportionate share of the Net Pension Liability | \$ 140,028 | \$ 111,307 | \$ 87,189 |

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

Benefit Provided

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

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: PENSION PLANS (CONTINUED)

Contributions

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

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2015, the State of New Jersey contributed \$ 14,784 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 19,359 .

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

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

As June 30, 2015, the State's proportionate share of the net pension liability associated with the Charter School was \$ 2,435,742 . The net pension liability was measured as of June 30, 2014, and the total pension liability used 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.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: PENSION PLANS (CONTINUED)

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, Charter School's proportion was 0.0044599%, which was a decrease of 0.0000975% from its proportion measured as of June 30, 2013.

| | |
|---|----------------------------|
| Charter School's Proportionate Share of the Net Pension Liability | \$ - |
| State's Proportionate Share of the Net Pension Liability Associated with the Charter School | <u>2,435,742</u> |
| Total | <u><u>\$ 2,435,742</u></u> |

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the Charter School in the amount of \$ 19,359 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

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

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

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

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

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2014 is summarized in the following table:

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: PENSION PLANS (CONTINUED)

Discount Rate – TPAF

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

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

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| Fiscal Year Ended June 30, 2014 | | | |
|---|---------------------------|-------------------------------------|---------------------------|
| | 1% Decrease (3.68%) | Current Discount Rate (4.68%) | 1% Increase (5.68%) |
| Charter School's proportionate share of the Net Pension Liability | \$ 2,886,557 | \$ 2,399,989 | \$ 1,995,292 |

| Fiscal Year Ended June 30, 2013 | | | |
|---|---------------------------|-------------------------------------|---------------------------|
| | 1% Decrease (3.95%) | Current Discount Rate (4.95%) | 1% Increase (5.95%) |
| Charter School's proportionate share of the Net Pension Liability | \$ 2,720,080 | \$ 2,264,172 | \$ 1,887,979 |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position – TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

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

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2015. There were no employee contributions to DCRP for the fiscal year ended June 30, 2015.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical 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 paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

NOTE 7: COMPENSATED ABSENCES

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

Charter School employees are granted varying amount of vacation and sick leave is accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward to full amount to subsequent years.

Upon termination or upon retirement, employees are currently not paid for accrued vacations or unused sick and personal days, The Board of the Charter Schools is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2015, Charter School-wide compensated absences amounted to \$0.00.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: ECONOMIC DEPENDENCY

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

NOTE 9: CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2015, significant amount of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School. The Charter School's attorney's letter advises that there no litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School's financial position.

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11: RECEIVABLES

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

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

| | Governmental Fund Financial Statements | Governmental Wide Financial Statements |
|------------------------------------|---|---|
| State Aid | \$ 25,703 | \$ 25,703 |
| Other | 27,992 | 27,992 |
| Gross Receivables | 53,695 | 53,695 |
| Less: Allowance for Uncollectibles | - | - |
| Total Receivables, Net | \$ 53,695 | \$ 53,695 |

NOTE 12: INTERFUND TRANSFERS AND BALANCES

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

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

| Fund | Interfund Receivable | Interfund Payable |
|----------------------|-------------------------|----------------------|
| General Fund | \$ 22,520 | \$ - |
| Special Revenue Fund | | 20,206 |
| Fiduciary Fund | | 2,314 |
| Total | \$ 22,520 | \$ 22,520 |

NOTE 13: FUND BALANCE APPROPRIATED

General Fund

Of the \$1,749,005 General Fund balance at June 30, 2015, \$1,744,005 is unassigned and \$5,000 is restricted for escrow.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14: SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of December 15, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

NOTE 15: CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2015, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure. The implementation of this pronouncement had no effect on net position as reported June 30, 2014. Other than employer contributions subsequent to the measurement date, the Charter School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2015

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|------------|-----------------------------|
| REVENUES: | | | | | |
| Local Levy Budget: | | | | | |
| "Local Levy" Local Share-Charter School Aid | \$ 1,066,720 | \$ (407) | \$ 1,066,313 | \$ 885,274 | \$ (181,039) |
| Total Local Levy Budget | 1,066,720 | (407) | 1,066,313 | 885,274 | (181,039) |
| Categorical Aid: | | | | | |
| "Local Levy" State Share-Charter School Aid | 78,390 | 12,362 | 90,752 | 181,039 | 90,287 |
| Special Education Aid | 19,579 | (19,579) | | | - |
| State Adjustment Aid | | | | 90,752 | 90,752 |
| Security Aid | (6,404) | (438) | (6,842) | 5,966 | 12,808 |
| Total Categorical Aid | 91,565 | (7,655) | 83,910 | 277,757 | 193,847 |
| Revenues From Other Sources: | | | | | |
| Interest Income | | | | 789 | 789 |
| After School Tutoring | | | | | |
| Donations and Contributions | | | | | |
| Miscellaneous Revenue | | | | 15,103 | 15,103 |
| Reimbursed TPAF Social Security | | | | | |
| Contributions (Non-Budgeted) | | | | 38,219 | 38,219 |
| Reimbursed TPAF Pension | | | | | |
| Contributions (Non-Budgeted) | | | | 66,990 | 66,990 |
| Total Revenues From Other Sources | - | - | - | 121,101 | 54,111 |
| Total Revenues | 1,158,285 | (8,062) | 1,150,223 | 1,284,132 | 66,919 |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | 444,000 | 40,000 | 484,000 | 482,087 | 1,913 |
| Other Salaries for Instruction | | 10,000 | 10,000 | 8,143 | 1,857 |
| Purchased Prof/Tech Services | 20,000 | (10,000) | 10,000 | | 10,000 |
| Other Purchased Services | 30,000 | (18,000) | 12,000 | | 12,000 |
| General Supplies | 75,000 | | 75,000 | 16,324 | 58,676 |
| Textbooks | 75,000 | | 75,000 | 4,818 | 70,182 |
| Miscellaneous | 20,000 | | 20,000 | 1,528 | 18,472 |
| Total Instruction | 664,000 | 22,000 | 686,000 | 512,900 | 173,100 |
| Administration: | | | | | |
| Salaries - General Administration | 199,231 | (40,000) | 159,231 | 144,702 | 14,529 |
| Salaries of Secretarial/Clerical Assistants | 28,000 | 400 | 28,400 | 22,476 | 5,924 |
| Total Benefits Cost | 140,000 | 41,000 | 181,000 | 166,478 | 14,522 |
| Purchases Prof/Tech Services | 52,000 | (6,000) | 46,000 | 30,190 | 15,810 |
| Other Purchased Services | 58,000 | (8,000) | 50,000 | 36,417 | 13,583 |
| Communications/Telephone | 5,000 | | 5,000 | 3,110 | 1,890 |
| Supplies and Materials | 10,000 | (400) | 9,600 | 5,163 | 4,437 |
| Miscellaneous Expenses | 5,000 | 8,000 | 13,000 | 12,208 | 792 |
| Total Administration | 497,231 | (5,000) | 492,231 | 420,744 | 71,487 |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| (Continued from Prior Page) | | | | | |
| Support Services: | | | | | |
| Salaries | \$ 63,300 | \$ 1,000 | \$ 64,300 | \$ 55,159 | \$ 9,141 |
| Insurance for Property, Liability and Fidelity | 35,000 | (18,000) | 17,000 | 15,862 | 1,138 |
| Supplies and Materials | 5,000 | 1,000 | 6,000 | 5,117 | 883 |
| Energy Costs (Heat and Electricity) | 25,000 | (1,000) | 24,000 | 16,714 | 7,286 |
| Total Support Services | 128,300 | (17,000) | 111,300 | 92,852 | 18,448 |
| Capital Outlay: | | | | | |
| Miscellaneous Building Improvements | 100,000 | - | 100,000 | - | 100,000 |
| Total Capital Outlay | 100,000 | - | 100,000 | - | 100,000 |
| Reimbursed TPAF Social Security Contributions (Non-Budgeted) | | | | 38,219 | (38,219) |
| Reimbursed TPAF Pension Contributions (Non-Budgeted) | | | | 66,990 | (66,990) |
| Total Expenditures | 1,389,531 | - | 1,389,531 | 1,131,705 | 324,816 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (231,246) | (8,062) | (239,308) | 152,427 | 391,735 |
| FUND BALANCE, JULY 1 | 1,571,170 | | 1,571,170 | 1,596,578 | 25,408 |
| FUND BALANCE, JUNE 30 | \$ 1,339,924 | \$ (8,062) | \$ 1,331,862 | \$ 1,749,005 | \$ 417,143 |
| Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance | \$ 1,339,924 | \$ (8,062) | \$ 1,331,862 | \$ 1,749,005 | \$ 417,143 |
| Total | \$ 1,339,924 | \$ (8,062) | \$ 1,331,862 | \$ 1,749,005 | \$ 417,143 |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|---------------|-----------------------------|
| REVENUE SOURCES: | | | | | |
| Federal | 28,703 | \$ - | \$ 28,703 | \$ 28,703 | \$ - |
| Total Revenues | <u>28,703</u> | <u>-</u> | <u>28,703</u> | <u>28,703</u> | <u>-</u> |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries | 18,870 | | 18,870 | 18,870 | |
| Purchased Prof/Tech Services | 8,389 | | 8,389 | 8,389 | |
| Total Instruction | <u>27,259</u> | <u>-</u> | <u>27,259</u> | <u>27,259</u> | <u>-</u> |
| Support Services: | | | | | |
| Personal Services - Employee Benefits | 1,444 | | 1,444 | 1,444 | |
| Total Support Services | <u>1,444</u> | <u>-</u> | <u>1,444</u> | <u>1,444</u> | |
| Total Expenditures | <u>28,703</u> | <u>-</u> | <u>28,703</u> | <u>28,703</u> | <u>-</u> |
| Total Outflows | <u>28,703</u> | <u>-</u> | <u>28,703</u> | <u>28,703</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2015

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

| | <u>General Fund</u> | | <u>Special Revenue Fund</u> |
|--|---------------------------|--|-------------------------------------|
| Sources/Inflows of Resources | | | |
| Actual amounts (budgetary) "revenues" from the budgetary comparison schedules | [C-1] \$ 1,284,132 | | [C-2] \$ 28,703 |
| Difference - Budget to GAAP | | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized | | | |
| Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds. | [B-2] \$ <u>1,284,132</u> | | [B-2] \$ <u>28,703</u> |
| Uses/Outflows of Resources | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] \$ 1,131,705 | | [C-2] \$ 28,703 |
| Differences - Budget to GAAP: | | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes. | | | |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | [B-2] \$ <u>1,131,705</u> | | [B-2] \$ <u>28,703</u> |

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | |
|---|-----------------------------|--------------|
| | 2014 | 2015 |
| Charter School's proportion of the net pension liability | N/A | 0.000594503% |
| Charter School's proportionate share of the net pension liability | N/A | \$ 111,307 |
| Charter School's covered employees payroll | N/A | \$ 38,052 |
| Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll | N/A | 293% |
| Plan fiduciary net position as a percentage of the total pension liability | N/A | 52.08% |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | |
|--|-----------------------------|-----------|
| | 2014 | 2015 |
| Contractually required contribution | N/A | \$ 4,901 |
| Contributions in relation to the contractually required contribution | N/A | (5,172) |
| Contribution deficiency/(excess) | \$ - | \$ (271) |
| Charter School's covered employee payroll | N/A | \$ 38,052 |
| Contributions as a percentage of covered employee payroll | N/A | 12.88% |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | |
|--|-----------------------------|--------------|
| | 2014 | 2015 |
| State's proportion of the net pension liability attributable of the Charter School | 0.0044579% | 0.00445986% |
| State's proportionate share of the net pension liability attributable to the Charter School | \$ 2,252,969 | \$ 2,435,742 |
| Charter School's covered employees payroll | \$ 499,598 | \$ 557,866 |
| Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll | 450.96% | 436.62% |
| Plan fiduciary net position as a p ercentage of the total pension liability | 33.76% | 33.64% |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS
TEACHER'S PENSION AND ANNUITY FUND
LAST FISCAL YEAR
UNAUDITED

| | <i>Fiscal year</i> Ending June 30, <u>2015</u> |
|--|--|
| Contractually required contribution | \$ 19,359 |
| Contributions in relation to the contractually required contribution | <u>(14,784)</u> |
| Contribution deficiency/(excess) | <u>\$ 4,575</u> |
| Charter School's covered employee payroll | \$ 557,866 |
| Contributions as a percentage of covered employee payroll | 3.47% |

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2014

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2014

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTAL INFORMATION

SECTION E – SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

E-1

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2015

| | <u>NCLB Title I</u> | <u>NCLB Title II Part A</u> | <u>Grand Total</u> |
|--|-------------------------|-------------------------------------|------------------------|
| REVENUE SOURCES: | | | |
| Federal | <u>\$ 23,314</u> | <u>\$ 5,389</u> | <u>\$ 28,703</u> |
| Total Revenues | <u>23,314</u> | <u>5,389</u> | <u>28,703</u> |
| EXPENDITURES: | | | |
| Instruction: | | | |
| Salaries | 18,870 | | 18,870 |
| Purchased Prof/Tech Services | <u>3,000</u> | | <u>3,000</u> |
| Total Instruction | <u>21,870</u> | <u>-</u> | <u>21,870</u> |
| Support Services: | | | |
| Personal Services - Employee Benefits | 1,444 | | 1,444 |
| Other Purchased Prof/Tech Services | | <u>5,389</u> | <u>5,389</u> |
| Total Support Services | <u>1,444</u> | <u>5,389</u> | <u>6,833</u> |
| Total Expenditures | <u>23,314</u> | <u>5,389</u> | <u>28,703</u> |
| Total Outflows | <u>23,314</u> | <u>5,389</u> | <u>28,703</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

SECTION G – PROPRIETARY FUNDS

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

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

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

SECTION H – FIDUCIARY FUNDS

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

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

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

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2015

| | Agency | | | Total Agency Fund |
|-------------------------------------|-------------------|-----------------|-----------------------|-------------------------|
| | Payroll Agency | Net Payroll | Student Activities | |
| CURRENT ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 2,000 | \$ 6,045 | \$ 19,103 | \$ 27,148 |
| Total Current Assets | \$ 2,000 | \$ 6,045 | \$ 19,103 | \$ 27,148 |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Interfund Accounts Payable | \$ 2,000 | \$ - | \$ 314 | \$ 2,314 |
| Accounts Payable | | | 3,991 | 3,991 |
| Payroll Deductions and Withholdings | | 6,045 | | 6,045 |
| Due to Student Groups | | | 14,798 | 14,798 |
| Total Liabilities | \$ 2,000 | \$ 6,045 | \$ 19,103 | \$ 27,148 |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2015

Not Applicable

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2015

| | <u>Balance</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2015</u> |
|----------------------------|---------------------------------------|------------------|------------------|--|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 27,242 | \$ 25,244 | \$ 33,383 | \$ 19,103 |
| Total Assets | <u>\$ 27,242</u> | <u>\$ 25,244</u> | <u>\$ 33,383</u> | <u>\$ 19,103</u> |
| LIABILITIES: | | | | |
| Interfund Accounts Payable | \$ 19,042 | \$ - | \$ 18,728 | \$ 314 |
| Accounts Payable | | 3,991 | | 3,991 |
| Due to Student Activities | <u>8,200</u> | <u>21,253</u> | <u>14,655</u> | <u>14,798</u> |
| Total Liabilities | <u>\$ 27,242</u> | <u>\$ 25,244</u> | <u>\$ 33,383</u> | <u>\$ 19,103</u> |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2015

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|-------------------------------------|-------------------------|-------------------|-------------------|--------------------------|
| ASSETS: | | | | |
| Cash and Cash Equivalent | \$ 2,041 | \$ 236,614 | \$ 236,655 | \$ 2,000 |
| Total Assets | <u>\$ 2,041</u> | <u>\$ 236,614</u> | <u>\$ 236,655</u> | <u>\$ 2,000</u> |
| LIABILITIES: | | | | |
| Interfund Accounts Payable | \$ - | \$ 2,000 | \$ - | \$ 2,000 |
| Payroll Deductions and Withholdings | 2,041 | 234,614 | 236,655 | - |
| Total Liabilities | <u>\$ 2,041</u> | <u>\$ 236,614</u> | <u>\$ 236,655</u> | <u>\$ 2,000</u> |

**STATISTICAL SECTION
(UNAUDITED)**

Classical Academy Charter School of Clifton has been in operation for seventeen (17) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. However, only statistical data for eight (8) years is available and has been presented. Each year thereafter, an additional year's data will be included.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Changes in Net Position
Last Eight Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|-----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| Expenses | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Instruction | \$ 692,203 | \$ 649,044 | \$ 520,890 | \$ 492,455 | \$ 464,100 | \$ 483,743 | \$ 421,460 | \$ 324,877 |
| Administration | 447,806 | 373,186 | 281,914 | 263,412 | 214,127 | 222,566 | 202,317 | 235,631 |
| Support Services | 54,982 | 55,621 | 173,709 | 166,202 | 190,302 | 155,083 | 151,922 | 152,662 |
| Capital Outlay | - | 239,852 | 8,397 | - | 24,452 | 22,351 | 180,788 | 360,550 |
| Unallocated Depreciation | 16,787 | 16,787 | 33,701 | 32,143 | 32,143 | 32,408 | 30,101 | 30,101 |
| Total Governmental Activities Expenses | <u>1,211,778</u> | <u>1,334,490</u> | <u>1,018,611</u> | <u>954,212</u> | <u>925,124</u> | <u>916,151</u> | <u>986,588</u> | <u>1,103,821</u> |
| Total Charter School Expenses | <u>\$ 1,211,778</u> | <u>\$ 1,334,490</u> | <u>\$ 1,018,611</u> | <u>\$ 954,212</u> | <u>\$ 925,124</u> | <u>\$ 916,151</u> | <u>\$ 986,588</u> | <u>\$ 1,103,821</u> |
| Program Revenues | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Operating Grants and Contributions | \$ - | \$ - | \$ 23,746 | \$ - | \$ 31,727 | \$ 35,178 | \$ 12,562 | \$ 75,622 |
| Total Governmental Activities Expenses | <u>-</u> | <u>-</u> | <u>23,746</u> | <u>-</u> | <u>31,727</u> | <u>35,178</u> | <u>12,562</u> | <u>75,622</u> |
| Total Charter School Program Revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,746</u> | <u>\$ -</u> | <u>\$ 31,727</u> | <u>\$ 35,178</u> | <u>\$ 12,562</u> | <u>\$ 75,622</u> |
| Net (Expense)/Revenue | | | | | | | | |
| Governmental Activities | \$ (1,211,778) | \$ (1,334,490) | \$ (994,865) | \$ (954,212) | \$ (893,397) | \$ (880,973) | \$ (974,026) | \$ (1,028,199) |
| Business-Type Activities | - | - | - | - | - | - | - | - |
| Total Charter School-wide Net Expense | <u>\$ (1,211,778)</u> | <u>\$ (1,334,490)</u> | <u>\$ (994,865)</u> | <u>\$ (954,212)</u> | <u>\$ (893,397)</u> | <u>\$ (880,973)</u> | <u>\$ (974,026)</u> | <u>\$ (1,028,199)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General Purposes | \$ 1,066,313 | \$ 866,386 | \$ 1,209,945 | \$ 1,199,599 | \$ 1,074,880 | \$ 1,067,298 | \$ 926,019 | \$ 1,029,449 |
| Federal and State Aid Not Restricted | 230,630 | 352,683 | - | - | 93,050 | 78,356 | 184,798 | - |
| Increase in Net Capital Outlay | - | - | 8,397 | - | 22,767 | 15,914 | 172,391 | 353,375 |
| Miscellaneous Income | 15,892 | 1,037 | 3,126 | 4,701 | 2,292 | 262 | 1,783 | 697 |
| Total Governmental Activities | <u>1,312,835</u> | <u>1,220,106</u> | <u>1,221,468</u> | <u>1,204,300</u> | <u>1,192,989</u> | <u>1,161,830</u> | <u>1,284,991</u> | <u>1,383,521</u> |
| Total Charter School-wide | <u>\$ 1,312,835</u> | <u>\$ 1,220,106</u> | <u>\$ 1,221,468</u> | <u>\$ 1,204,300</u> | <u>\$ 1,192,989</u> | <u>\$ 1,161,830</u> | <u>\$ 1,284,991</u> | <u>\$ 1,383,521</u> |
| Change in Net Position | | | | | | | | |
| Governmental Activities | \$ 101,057 | \$ (114,384) | \$ 226,603 | \$ 250,088 | \$ 299,592 | \$ 280,857 | \$ 310,965 | \$ 355,322 |
| Total Charter School | <u>\$ 101,057</u> | <u>\$ (114,384)</u> | <u>\$ 226,603</u> | <u>\$ 250,088</u> | <u>\$ 299,592</u> | <u>\$ 280,857</u> | <u>\$ 310,965</u> | <u>\$ 355,322</u> |

Source: Comprehensive Annual Financial Report

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Net Assets/Position by Component
 Last Eight Fiscal Years
(Accrual Basis of Accounting)
 (Unaudited)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Governmental Activities | | | | | | | | |
| Net Investment in Capital Assets | \$ 555,175 | \$ 583,179 | \$ 616,532 | \$ 641,836 | \$ 1,143,471 | \$ 834,503 | \$ 557,152 | \$ 557,560 |
| Restricted | 5,000 | | 600,000 | 600,000 | | | | |
| Unassigned | 1,720,639 | 1,596,578 | 1,077,609 | 825,702 | 673,979 | 683,355 | 699,849 | 368,476 |
| Total Governmental Activities Net Position | <u>\$ 2,280,814</u> | <u>\$ 2,179,757</u> | <u>\$ 2,294,141</u> | <u>\$ 2,067,538</u> | <u>\$ 1,817,450</u> | <u>\$ 1,517,858</u> | <u>\$ 1,257,001</u> | <u>\$ 926,036</u> |
| Charter School-wide | | | | | | | | |
| Net Investment in Capital Assets | \$ 555,175 | \$ 583,179 | \$ 616,532 | \$ 641,836 | \$ 1,143,471 | \$ 834,503 | \$ 557,152 | \$ 557,560 |
| Restricted | 5,000 | | 600,000 | 600,000 | | | | |
| Unassigned | 1,720,639 | 1,596,578 | 1,077,609 | 825,702 | 673,979 | 683,355 | 699,849 | 368,476 |
| Total Charter School Net Position | <u>\$ 2,280,814</u> | <u>\$ 2,179,757</u> | <u>\$ 2,294,141</u> | <u>\$ 2,067,538</u> | <u>\$ 1,817,450</u> | <u>\$ 1,517,858</u> | <u>\$ 1,257,001</u> | <u>\$ 926,036</u> |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Fund Balances - Governmental Funds
Last Eight Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year Ending June 30, | | | | | | | |
|---------------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General Fund | \$ 5,000 | \$ - | \$ 600,000 | \$ 600,000 | \$ - | \$ - | \$ - | \$ - |
| Restricted | 1,744,005 | 1,596,578 | 1,077,609 | 825,702 | 1,143,471 | 834,503 | 557,152 | 368,476 |
| Unassigned | | | | | | | | |
| Total General Fund | \$ 1,749,005 | \$ 1,596,578 | \$ 1,677,609 | \$ 1,425,702 | \$ 1,143,471 | \$ 834,503 | \$ 557,152 | \$ 368,476 |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Changes in Fund Balances - Governmental Funds
 Last Eight Fiscal Years
(Modified Accrual Basis of Accounting)
 (Unaudited)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------------|--------------|-------------|------------|------------|--------------|--------------|------------|-------------|
| Revenues: | | | | | | | | |
| Local Sources: | | | | | | | | |
| Local Tax Levy | \$ 1,066,313 | 866,386 | \$ 915,511 | \$ 854,582 | \$ 1,074,880 | \$ 1,091,198 | \$ 808,042 | \$ 898,050 |
| Interest In Investments | 789 | 752 | | | | | | |
| Miscellaneous | 15,103 | 285 | 3,126 | 4,701 | 2,292 | 262 | 1,783 | 59,526 |
| State Sources | 201,927 | 330,310 | 294,434 | 345,017 | 93,050 | 54,456 | 302,775 | 131,399 |
| Federal Sources | 28,703 | 22,373 | 23,746 | | 31,727 | 35,178 | 12,562 | 16,833 |
| Total Revenues | 1,312,835 | 1,220,106 | 1,236,817 | 1,204,300 | 1,201,949 | 1,181,094 | 1,125,162 | 1,105,808 |
| Expenditures: | | | | | | | | |
| Instruction | 540,159 | 541,024 | 520,890 | 492,455 | 432,373 | 448,565 | 408,898 | 324,877 |
| Administration | 525,953 | 464,640 | 281,914 | 263,412 | 245,854 | 257,744 | 214,879 | 311,293 |
| Support Services | 94,296 | 55,621 | 173,709 | 166,202 | 190,302 | 155,083 | 151,922 | 152,662 |
| Capital Outlay | | 239,852 | 8,397 | | 24,452 | 22,351 | 180,788 | 360,550 |
| Total Expenditures | 1,160,408 | 1,301,137 | 984,910 | 922,069 | 892,981 | 883,743 | 956,487 | 1,149,382 |
| Net Change in Fund Balance | \$ 152,427 | \$ (81,031) | \$ 251,907 | \$ 282,231 | \$ 308,968 | \$ 297,351 | \$ 168,675 | \$ (43,574) |

Source: Comprehensive Annual Financial Report

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 General Fund - Other Local Revenue by Source
 Last Eight Fiscal Years
(Modified Accrual Basis of Accounting)
 (Unaudited)

| Fiscal Year Ending June 30, | Investment Earnings | Miscellaneous Revenue | Annual Total |
|-----------------------------------|------------------------|--------------------------|-----------------|
| 2015 | \$ 789 | \$ 15,103 | \$ 15,892 |
| 2014 | 752 | 285 | 1,037 |
| 2013 | | 3,126 | 3,126 |
| 2012 | | 4,701 | 4,701 |
| 2011 | | 2,262 | 2,262 |
| 2010 | | 262 | 262 |
| 2009 | | 1,783 | 1,783 |
| 2008 | | 59,526 | 59,526 |

Source: Charter School records

OPERATING INFORMATION

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Full-Time Equivalent Charter School Employees by Function
 Last Eight Fiscal Years
 (Unaudited)

| <u>Function</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | 10 | 10 | 10 | 10 | 10 | 9 | 9 | 9 |
| Administrative | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 |
| Support Services | 3 | 3 | 3 | 3 | - | - | - | - |
| Total | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> | <u>13</u> | <u>11</u> | <u>11</u> | <u>11</u> |

Source: Charter School Personnel Records

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Operating Statistics
 Last Six Fiscal Years
 (Unaudited)

| Fiscal Year | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Pupil/Teacher Ratio | Average Daily | | Percent Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|-------------------------------|-------------------------------|--|-------------------------------|
| | | | | | | | Enrollment (ADE) ^c | Attendance (ADA) ^c | | |
| 2015 | 116 | \$ 1,131,705 | \$ 9,756 | 7.99% | 10 | 12:1 | 116 | 98.00% | 0.87% | 97.00% |
| 2014 | 115 | 1,038,912 | \$ 9,034 | 9.17% | 10 | 12:1 | 115 | 98.00% | -1.74% | 97.00% |
| 2013 | 117 | 984,829 | \$ 8,275 | -1.59% | 10 | 12:1 | 117 | 98.15% | 0.85% | 97.20% |
| 2012 | 116 | 922,069 | \$ 8,409 | 15.01% | 10 | 12:1 | 116 | 96.10% | 0.80% | 97.00% |
| 2011 | 118 | 861,254 | \$ 7,800 | -18.14% | 10 | 12:1 | 118 | 96.02% | -0.01% | 97.00% |
| 2010 | 115 | 883,743 | \$ 9,529 | 9.49% | 14 | 8:1 | 115 | 96.03% | 0.00% | 96.00% |

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 School Building Information
 Last Eight Fiscal Years
 (Unaudited)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| <u>Charter School Building</u> | | | | | | | | |
| Building | | | | | | | | |
| Square Feet | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Capacity (students) | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 125 |
| Enrollment | 116 | 115 | 117 | 116 | 118 | 115 | 108 | 104 |
| Number of Schools at June 30, 2015 | | | | | | | | |
| Middle School = 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of additions.
 Enrollment is based on the annual final Charter School count.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Insurance Schedule

June 30, 2015

(Unaudited)

| | Coverage | Deductible |
|-------------------------------------|--------------|------------|
| School Package Policy | | |
| Commercial Property | \$ 1,327,500 | \$ 1,000 |
| Blanket Extra Expense | 25,000,000 | |
| Blanket Valuable Papers and Records | 10,000,000 | |
| Boiler and Machinery | 100,000,000 | 5,000 |
| General Liability | 16,000,000 | |
| Business Auto | 16,000,000 | 1,000 |
| School Board Legal Liability | 11,000,000 | 5,000 |
| Umbrella | 11,000,000 | |
| Worker's Compensation | 2,000,000 | |
| EDP | 650,000 | |
| Surety Bond | | |
| School Board Legal Liability | 1,000,000 | N/A |
| Public Official Bonds | 105,000 | N/A |

Source: Charter School Records

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Charter School Performance Framework Financial Indicators
 Near Term Indicators
 Last Three Fiscal Years

| | 2013 Audit | 2014 Audit | 2015 Audit | Source |
|--------------------------------|---------------|---------------|---------------|---------------------------------------|
| Cash | \$ 1,413,237 | \$ 2,591,414 | \$ 1,710,687 | Audit: Exhibit A-1 |
| Current Assets | 1,504,645 | 1,371,023 | 76,215 | Audit: Exhibit A-1 |
| Total Assets | 2,146,481 | 4,118,993 | 2,342,077 | Audit: Exhibit A-1 |
| Current Liabilities | 78,743 | 121,786 | 37,897 | Audit: Exhibit A-1 |
| Total Liabilities | 78,743 | 121,786 | 149,204 | Audit: Exhibit A-1 |
| Net Assets | 2,067,738 | 3,997,207 | 2,280,814 | Audit: Exhibit A-1 |
| Total Revenue | 1,140,014 | 2,422,055 | 1,312,835 | Audit: Exhibit A-2 |
| Total Expenses | (922,069) | 441,509 | 1,211,778 | Audit: Exhibit A-2 |
| Change in Net Assets | 217,945 | 194,584 | 101,057 | Audit: Exhibit A-2 |
| Depreciation Expense | 32,143 | 65,761 | 28,004 | Financial Statements/Audit Workpapers |
| Interest Expense | - | - | - | Financial Statements/Audit Workpapers |
| Principal Payments | - | - | - | Financial Statements/Audit Workpapers |
| Interest Payments | - | - | - | Financial Statements/Audit Workpapers |
| Final Average Daily Enrollment | 117.00 | 115.00 | 116.00 | DOE Enrollment Reports |
| March 30th Budgeted Enrollment | 115.00 | 115.00 | 115.00 | Charter School Budget |

| RATIOS ANALYSIS... | | | | | |
|----------------------------|----------|----------|--------|----------|--|
| Near Term Indicators | 2013 | 2014 | 2015 | 3 YR CUM | Source: |
| 1a. Current Ratio | 19.11 | 11.26 | 2.01 | | Current Assets/Current Liabilities |
| 1b. Unrestricted Days Cash | (559.43) | 2,142.35 | 515.28 | | Cash/(Total Expenses/365) |
| 1c. Enrollment Variance | 102% | 100% | 101% | | Average Daily Enrollment/Budgeted Enrollment |
| 1d.* Default | N/A | N/A | N/A | | Audit |

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Classical Academy Charter School of Clifton (Charter School), in the , State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 15, 2015.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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



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

December 15, 2015

BARRE & COMPANY
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**Independent Auditor’s Report on Compliance for Each Major State Program
Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of State Financial Assistance as Required by New Jersey OMB
Circular Letter 04-04**

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

Report on Compliance for Each Major State Program

We have audited the Classical Academy Charter School of Clifton’s compliance with the types of compliance requirements described in New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015. The Classical Academy Charter School of Clifton’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey OMB’s Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

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

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

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Classical Academy Charter School of Clifton, as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated December 15, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

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



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

December 15, 2015

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Grant or State Project Number | Program or Award Amount | Grant Period From | To | Balance at June 30, 2014 | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Adjustments | Repayment Of Prior Years' Balances | Balance at June 30, 2015 | |
|--|---------------------------|-------------------------------------|-------------------------------|----------------------|---------|-----------------------------|------------------------------------|------------------|---------------------------|-------------|--|--------------------------|-------------------|
| | | | | | | | | | | | | Accounts Receivable | Due to Grantor |
| U.S. Department of Education | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | |
| No Child Left Behind Cluster: | | | | | | | | | | | | | |
| Title I Part A | 84.010A | NCLB - 6220 - 15 | \$ 21,057 | 9/1/14 | 8/31/15 | \$ - | - | 8,497 | (20,314) | - | - | (20,314) | \$ - |
| Title I Performance grant | 84.010A | NCLB - 6220 - 15 | 8,497 | 9/1/14 | 8/31/15 | - | - | - | (3,000) | - | - | - | 5,497 |
| Title II Part A | 84.367A | NCLB - 6220 - 15 | 5,389 | 9/1/14 | 8/31/15 | (1,000) | - | 1,000 | (5,389) | - | - | (5,389) | - |
| Title II Part A Carryover | 84.367A | NCLB - 6220 - 14 | 5,100 | 9/1/13 | 8/31/14 | (1,000) | - | 9,497 | (28,703) | - | - | (25,703) | 5,497 |
| Total No Child Left Behind Cluster | | | | | | (1,000) | - | 9,497 | (28,703) | - | - | (25,703) | 5,497 |
| Total Special Revenue Fund | | | | | | (1,000) | - | 9,497 | (28,703) | - | - | (25,703) | 5,497 |
| Total Federal Financial Awards | | | | | | (1,000) | - | 9,497 | (28,703) | - | - | (25,703) | 5,497 |

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2015

| State Grantor/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period | | Balance at June 30, 2014 | | Carryover (Walkover) Amount | Cash Received | Budgetary Expenditures | Adjustments/ Reversals of Prior Year's Balance | Balance at June 30, 2015 | | MEMO | |
|---|-------------------------------|-------------------------|--------------|---------|--|----------------|-----------------------------|---------------------|------------------------|--|--------------------------|------------------|------|-----------------------|
| | | | From | To | Referred Receivables (Accounts Receivable) | Due to Grantor | | | | | Referred Payable | Due to Grantor | | (Accounts Receivable) |
| State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Local Levy State Share - Charter School Aid Security Aid | 15-495-034-5120-071 | \$ 178,624 | 7/1/14 | 6/30/15 | \$ - | \$ - | \$ 178,624 | \$ (178,624) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 178,624 |
| Adjustment Aid | 15-495-034-5120-084 | 5,721 | 7/1/14 | 6/30/15 | - | - | 5,721 | (5,721) | - | - | - | - | - | 5,721 |
| TPAF Post-Retirement Medical Contributions | 15-495-034-5120-085 | 77,312 | 7/1/14 | 6/30/15 | - | - | 77,312 | (77,312) | - | - | - | - | - | 77,312 |
| On-Behalf TPAF Pension Contributions | 15-495-034-5094-001 | 41,100 | 7/1/14 | 6/30/15 | - | - | 41,100 | (41,100) | - | - | - | - | - | 41,100 |
| Reimburse TPAF - Social Security | 15-495-034-5094-006 | 25,890 | 7/1/14 | 6/30/15 | - | - | 25,890 | (25,890) | - | - | - | - | - | 25,890 |
| | 15-495-034-5094-003 | 38,219 | 7/1/14 | 6/30/15 | - | - | 27,805 | (38,219) | - | (10,414) | - | 10,414 | - | 38,219 |
| Total General Fund | | | | | | | 356,452 | (366,866) | | (10,414) | | 10,414 | | 366,866 |
| Total All Funds | | | | | | | \$ 356,452 | \$ (366,866) | | \$ (10,414) | | \$ 10,414 | | \$ 366,866 |
| State Financial Assistance Not Subject to Major Program Reimbursement: | | | | | | | | | | | | | | |
| TPAF Post-Retirement Medical Contributions | 15-495-034-5094-001 | 41,100 | 7/1/14 | 6/30/15 | - | - | (41,100) | 41,100 | - | - | - | - | - | (41,100) |
| On-Behalf TPAF Pension Contributions | 15-495-034-5094-006 | 25,890 | 7/1/14 | 6/30/15 | - | - | (25,890) | 25,890 | - | - | - | - | - | (25,890) |
| | | | | | | | \$ (66,990) | \$ 66,990 | | | | | | \$ (66,990) |
| Total State Financial Assistance Subject to Single Audit | | | | | | | \$ 289,462 | \$ (299,876) | | \$ (10,414) | | \$ 10,414 | | \$ 299,876 |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2015

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2015

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

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

| | Federal | State | Total |
|-------------------------------------|-----------|------------|------------|
| General Fund | \$ - | \$ 201,927 | \$ 201,927 |
| Special Revenue Fund | 28,703 | | 28,703 |
| Total Awards & Financial Assistance | \$ 28,703 | \$ 201,927 | \$ 230,630 |

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOAN

Classical Academy Charter School of Clifton has no loan balances outstanding at June 30, 2015.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2015

NOTE 6. OTHER

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

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

| Program | Total |
|--|-----------|
| Title I, Part A: <i>Grants to Local Education Agencies</i> | \$ 23,314 |
| Title II, Part A: <i>Teacher and Principal Training and Recruiting</i> | 5,389 |
| Total | \$ 28,703 |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

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

State Awards

| | | |
|---|-----------|------------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | | \$300,000 |
| Auditee qualified as low-risk auditee? | _____ Yes | __X__ No |
| Internal control over major programs: | | |
| 1) Material weakness(es) identified? | _____ Yes | __X__ No |
| 2) Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes | None Reported __X__ |
| Type of auditors’ report issued on compliance for major programs | | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04? | _____ Yes | __X__ No |
| Identification of major state programs: | | |

| GMIS Number(s) | Name of State Program |
|-------------------------------|------------------------------------|
| _____15-495-034-5120-071_____ | _____Local Levy – State Share_____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section II –Financial Statement Findings

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

Finding

There were no matters reported.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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

This section identifies audit findings required to be reported by New Jersey OMB Circular Letter 04-04.

STATE AWARDS

Findings

There were no matters reported.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Summary Schedule of Prior Year Audit Findings and
Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2015

STATUS OF PRIOR YEAR FINDINGS

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