

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
NORTH STAR ACADEMY CHARTER
SCHOOL OF NEWARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

JUNE 30, 2015

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NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

October 2, 2015

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN 500
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the North Star Academy Charter School of Newark for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** North Star Academy Charter School of Newark 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.

North Star Academy was chartered by The New Jersey Department of Education as one of the state’s very first charter schools in January 1997. The school opened its doors to its first 72 students – 36 fifth graders and 36 sixth graders – in September 1997. Since that time, the school has grown each year increasing the number of students served, as indicated in the table below.

School Year	Grades Served	Student Enrollment
1998-1999	5 th – 7 th	108
1999-2000	5 th – 8 th	144
2000-2001	5 th – 9 th	180
2001-2002	5 th – 10 th	216
2002-2003	5 th – 11 th	240
2003-2004	5 th – 12 th	270
2004-2005	5 th – 12 th	300
2005-2006	5 th – 12 th	379
2006-2007	5 th – 12 th	445
2007-2008	K; 5 th – 12 th	583
2008-2009	K-1; 5 th – 12 th	760
2009-2010	K-2; 5 th – 12 th	902
2010-2011	K-3; 5 th – 12 th	1,255
2011-2012	K – 12 th	1,677
2012-2013	K – 12 th	2,203
2013-2014	K – 12 th	2,733
2014-2015	K – 12 th	3,441

North Star operates an extended school year. Students attend classes from 8:00 to 4:00, which is more than an hour longer than most public schools. In addition, programs are available from 7:30 a.m. to 5:00 p.m. There are approximately 25 students per class. Students wear uniforms. Parents are heavily involved in school activities and governance. Teachers are recruited nationally.

- 2) **ENROLLMENT OUTLOOK:** North Star enrolled 3,441 students, over ten campuses; one high school, four middle schools and five elementary schools for the 2014–2015 school year.

- 3) **MAJOR ACCOMPLISHMENTS** – In 2014–2015, North Star students maintained an attendance rate of 95.5%. Parents and students reported a high level of satisfaction in all areas. The 3rd-8th and 11th grade test scores met the academic standards, in many instances exceeding them, in all areas (math, language arts, and science) as outlined in the state’s Academic Performance Framework. Every member of the senior class graduated and planned to attend college. The school has more than 2,500 students on a waiting list, and was the most widely visited charter school in the state.

- 4) **INTERNAL ACCOUNTING CONTROLS:** 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 recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived: and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state 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.

- 5) **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 school and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either 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.

- 6) **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.

- 7) **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.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>
Local Revenue	\$ 6,187,952	9%
State Share	46,354,725	70%
State Aid	6,288,156	9%
E-rate Funding	315,008	1%
Private Funding -General Fund	338,600	1%
Federal Aid - Special Revenue	3,436,201	5%
Private Grants - Special Revenue	694,509	1%
Food Service - Federal Aid	1,329,176	1%
Food Service - State Aid	20,760	1%
Enterprise Fund - Other Income	266,436	1%
Food Service - Board Subsidy	389,267	1%
	<u>\$65,620,790</u>	<u>100%</u>

The following schedule presents a summary of the General Fund, Special Revenue fund and enterprise fund expenditures for the fiscal year ended June 30, 2015.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Current - General Fund	\$ 56,088,673	88%
Capital Outlay	1,847,881	2%
Special Revenue Fund	4,130,710	7%
Enterprise Fund	<u>2,005,639</u>	<u>3%</u>
Total	<u>\$ 64,072,903</u>	<u>100%</u>

- 8) **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 governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. 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 15-08, *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,

A handwritten signature in black ink, appearing to read "Michael Ambriz". The signature is written in a cursive, flowing style with a large, stylized initial "M".

Michael Ambriz
Chief Operating Officer
Lead Person

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2015**

BOARD OF DIRECTORS

TERM EXPIRES

Rick Rieder, Chair	6/2017
Robert Howitt, Trustee	6/2017
Lawrence Evans, Trustee	6/2017
Nicole Albano, Trustee	6/2016
Paul Bambrick-Santoyo, Secretary	6/2016
Trisha Scipio-Derrick, Trustee	9/2015
Ravi Bellur, Trustee	6/2016
Scott Sleyster, Trustee	6/2017
Nkiyah Taylor	9/2015

Other Officers

Carolyn Hack, Treasurer
Michael Ambriz, Chief Operating Officer/Lead Person
Julie Jackson, Managing Director/Principal
Mike Mann, Head of School
James Verrilli, Community Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

Scott J. Loeffler, CPA
12 Merry Lane
East Hanover, New Jersey 07936

ATTORNEYS

Nicole Bearce, Esq.
Lowenstein Sandler
65 Livingston Avenue
Roseland, NJ 07068

OFFICIAL DEPOSITORY

Sovereign Bank
905 Broad Street
Newark, New Jersey 07102

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT
12 MERRY LANE
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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
North Star Academy Charter School of Newark
County of Essex
Newark, New Jersey

Report on the Financial Statements

I 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 Board of Trustees of the North Star Academy Charter School of Newark, County of Essex, 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 North Star Academy Charter School of Newark's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my 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 North Star Academy Charter School of Newark as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 6 to the financial statements, in the fiscal year ended June 30, 2015, the North Star Academy Charter School of Newark adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Information* as listed in the table of contents 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Star Academy Charter School of Newark's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly presented, in all material respects, in relation to the basis financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 2, 2015 on my consideration of the North Star Academy Charter School of Newark's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Star Academy Charter School of Newark's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J. Loeffler CPA
October 2, 2015

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

This section of North Star Academy Charter School of Newark annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-15 fiscal year include the following:

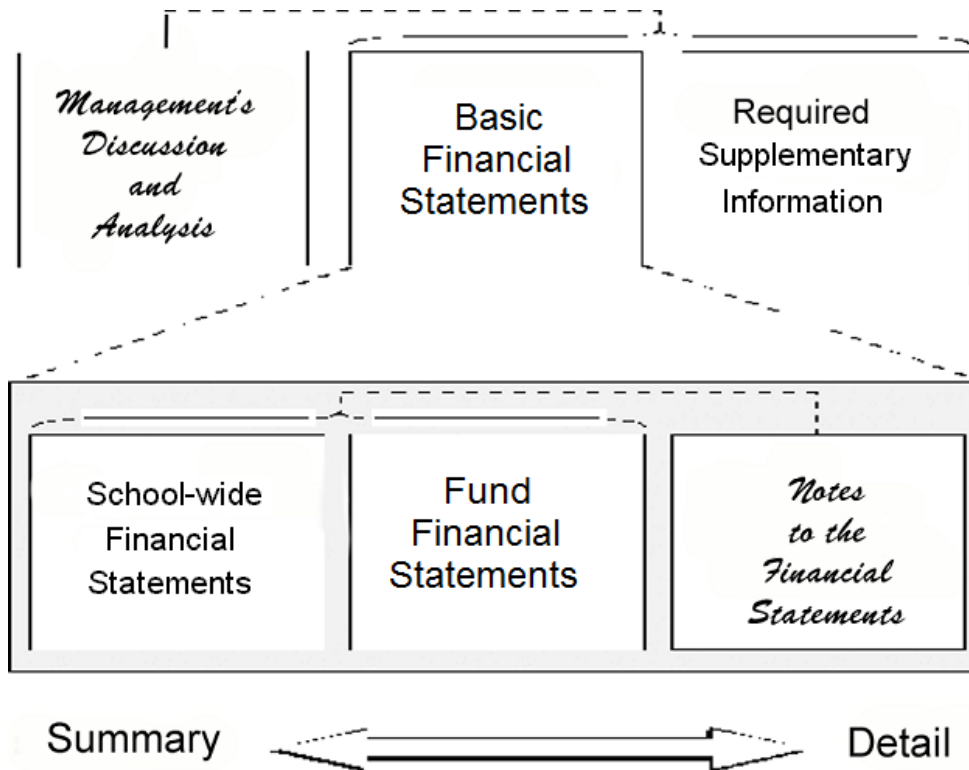
- Total Net Position was \$9,138,725 which was net of pension adjustment of \$9,115,587 (Notes 17 and 18).
- Total Net Position increased by \$2,888,815 from July 1, 2014 to June 30, 2015.
- The General Fund balance at June 30, 2015 is \$7,432,456, an increase of \$1,547,887 when compared with the beginning balance at July 1, 2014.
- The Enterprise Fund balance at June 30, 2015 is \$8,467, the same fund balance when compared with the beginning at July 1, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the North Star Academy Charter School of Newark.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the North Star Academy Charter School of Newark's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the North Star Academy Charter School of Newark, reporting the North Star Academy Charter School of Newark's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the North Star Academy Charter School of Newark operates like businesses, per government definition.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the North Star Academy Charter School of Newark's financial statements, including the portion of the North Star Academy Charter School of Newark's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-Wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the North Star Academy Charter School of Newark that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the North Star Academy Charter School of Newark operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenue expenditures and changes in fund balances	Statement of net position Statement of revenue, expenses, and changes in fund net position Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

School-wide Statements

The school-wide statements report information about the North Star Academy Charter School of Newark as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the North Star Academy Charter School of Newark's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the North Star Academy Charter School of Newark's net position and how they have changed. Net position – the difference between the North Star Academy Charter School of Newark's assets and liabilities – are one way to measure the North Star Academy Charter School of Newark's financial health or position.

- Over time, increases or decreases in the North Star Academy Charter School of Newark's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

In the school-wide financial statements, the North Star Academy Charter School of Newark's activities are shown in two categories:

- *Governmental activities*- Most of the North Star Academy Charter School of Newark's basic services are included here, such as regular and special education, transportation, administration, food services, and community education.
- *Business-type activities*- The North Star Academy Charter School of Newark's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the North Star Academy Charter School of Newark's funds – focusing on its most significant or “major” funds – not the North Star Academy Charter School of Newark as a whole.

Funds are accounting devices the North Star Academy Charter School of Newark uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The North Star Academy Charter School of Newark uses other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The North Star Academy Charter School of Newark has three kinds of funds:

- **Governmental funds-** Most of the North Star Academy Charter School of Newark’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 at 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 North Star Academy Charter School of Newark’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.
- **Proprietary funds-** Services for which the North Star Academy Charter School of Newark charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The North Star Academy Charter School of Newark is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The North Star Academy Charter School of Newark is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the North Star Academy Charter School of Newark’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 North Star Academy Charter School of Newark’s government-wide financial statements because the North Star Academy Charter School of Newark cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL AS A WHOLE

Net position. The North Star Academy Charter School of Newark’s net position is \$9,138,725 on June 30, 2015. (See Table A-1).

Governmental	\$9,130,258
Business Activities Food Service	<u>8,467</u>
Total	<u><u>\$9,138,725</u></u>

The Statement of Net Position of \$9,138,725 reflects total capital assets of \$10,813,389 net of assumed depreciation from inception.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The North Star Academy Charter School of Newark's financial position is the product of these factors:

- Total revenues during the 2014-15 school year were \$65,620,790.
- Total expenditures during the 2014-15 school year were \$64,072,903.

Table A-1
The North Star Academy Charter School
Statement of Net Position
As of June 30, 2015

	<u>Total</u>
Current and Other Assets	\$8,389,045
Capital Assets (Including Business Activities)	10,813,389
Total Assets	<u>\$19,202,434</u>
Long-Term Liabilities	-
Other Liabilities	916,513
Total Liabilities	<u>\$916,513</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	10,813,389
Unrestricted Enterprise Fund	8,467
General Fund	7,432,456
Total Net Position	<u><u>\$18,254,312</u></u>
Fund Balance 06/30/15	\$7,440,923
Invested In Capital Assets, Net of Related Debt	10,813,389
Net Position before Pension Adjustment	18,254,312
Less: Pension Adjustment (Note 15)	<u>(9,115,587)</u>
Net Position as adjusted for pension liability	<u><u>\$9,138,725</u></u>

Total Governmental and Business Activities revenues and beginning assets minus net adjusted expenditures resulting in a calculation of net position of \$9,138,725 on June 30, 2015.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table A-2
NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2015

Revenues	Total	Percentage
Program revenues		
Charges for services	\$ 266,436	1%
Board Subsidy	389,267	1%
General revenues		
Local Share	6,187,952	10%
State Aid-Unrestricted	46,354,725	67%
State Aid	6,288,156	9%
Private Funding- General Fund	338,600	1%
E-Rate Funding-General Fund	315,008	2%
Special Revenue Federal Aid	3,436,201	5%
Special Revenue- Private Funding	694,509	1%
Food Service State Aid	20,760	1%
Food Service Federal Aid	1,329,176	2%
Total Revenues	<u>\$ 65,620,790</u>	<u>100%</u>
 Expenses		
Regular Instruction	28,569,460	44%
General Administrative	17,573,326	27%
School Administrative	10,743,497	17%
On-behalf TPAF Social Security and Pension	3,333,100	4%
Capital Outlay	1,847,881	5%
Food Service and Enrichment	2,005,639	3%
Total expenses	<u>\$ 64,072,903</u>	<u>100%</u>
 Increase in Fund Balance	\$1,547,887	
Increase in Net Capital Outlay	<u>1,340,928</u>	
Net Increase in Net Position	2,888,815	
 Net Position - Beginning July 1	<u>15,365,497</u>	
Net Position - Before Pension Adjustment	18,254,312	
Pension Adjustment	<u>(9,115,587)</u>	
Net Position	<u><u>\$9,138,725</u></u>	

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Total revenues exceeded expenditures, increasing net position \$1,547,887 in the General Fund.

Table A-3 (See Exhibit A-2)
The North Star Academy Charter School
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 28,569,460	\$ 28,569,460
Support Services			
General Administrative Services	B-2	17,573,326	17,573,326
School Administrative Services	B-2	10,743,497	10,743,497
On-behalf TPAF Social Security and Pension	B-2	3,333,100	3,333,100
Capital Outlay	B-2	1,847,881	1,847,881
Food Service and Enrichment	G-2	2,005,639	2,005,639
Total Governmental Activities		\$ 64,072,903	\$ 64,072,903

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK'S FUNDS

The financial performance of the North Star Academy Charter School of Newark as a whole is reflected in its governmental activities Exhibit A-2. As the North Star Academy Charter School of Newark completed the year, its general funds reported a combined fund balance of \$7,432,456.

The business activities net position at June 30, 2015 is \$8,467.

Revenues for the North Star Academy Charter School of Newark's business activities were \$1,616,372 and \$389,267 in school subsidy while total expenses were \$2,005,639. (Table A-2) (Exhibit G-2)

GENERAL FUND

The General Fund includes the primary operations of the North Star Academy Charter School of Newark in providing educational services to students from kindergarten through grade 12.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The following schedule presents a summary of General Fund Revenues. The summary reflects the dollar increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
The North Star Academy Charter School
Changes in Net Position - School Wide
For the Fiscal Years Ended June 30

General Fund Revenues	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 6,187,952	\$ 5,739,383	\$ 448,569
Other Local Revenue	2,003,820	1,594,353	409,467
Total Local Sources	\$ 8,191,772	\$ 7,333,736	\$ 858,036
Intergovernmental			
State Sources	52,663,641	40,346,110	12,317,531
Federal Sources	4,765,377	3,973,169	792,208
Total Intergovernmental Sources	\$ 57,429,018	\$ 44,319,279	\$ 13,109,739
Total Revenue	\$ 65,620,790	\$ 51,653,015	\$ 13,967,775

The following schedule presents a summary of General Fund expenditures. The summary reflects the dollar increase (decrease) from the prior year.

Table A-5 (See Exhibit B-2)
The North Star Academy Charter School
Changes in Net Position - School Wide
For the Fiscal Years Ended June 30

General Fund Expenditures	Year Ended 06/30/2015	Year Ended 06/30/2014	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 28,569,460	\$ 22,353,327	\$ 6,216,133
General Administrative Services	17,573,326	13,392,668	4,180,658
School Administration	10,743,497	8,372,729	2,370,768
On-behalf TPAF Social Security and Pension	3,333,100	2,211,170	1,121,930
Capital outlay	1,847,881	2,590,690	(742,809)
Food Service and Enrichment	2,005,639	1,411,837	593,802
Total Expenditures	\$ 64,072,903	\$ 50,332,421	\$ 13,740,482

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the General Fund unreserved-undesignated fund balance.

Table A-6
The North Star Academy Charter School
Changes in Fund Balance - School Wide
For the Fiscal Years Ended June 30

General Fund	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Unreserved-Undesignated Fund Balance	7,432,456	5,884,567	4,563,973	3,765,557	3,148,080	2,806,380
Expenditures	64,072,903	50,332,421	41,397,610	31,069,597	21,454,050	14,910,846
Percentage	12%	12%	11%	12%	15%	19%

The North Star Academy Charter School of Newark values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

- Future State Aid may be reduced due to the State's new criteria utilized in calculating allocations of State Aid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, in the General Fund, the North Star Academy Charter School of Newark had invested \$10,813,389 in a broad range of capital assets, including leasehold improvements, computer and audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Total General Fund depreciation expense for the year was \$368,075.

Table A-7
The North Star Academy Charter School
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2015

Facilities Improvement	\$11,876,036
Equipment	711,164
Total - General Fund	\$12,587,200
Less: Accumulated Depreciation	(1,773,811)
Total - Net Capital Assets General Fund	\$10,813,389

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and contributors with a general overview of the North Star Academy Charter School of Newark's finances and to demonstrate the North Star Academy Charter School of Newark's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, North Star Academy Charter School of Newark, 10 Washington Place, Newark, New Jersey 07102.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the North Star Academy Charter School of Newark's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2015.

SCHOOL-WIDE FINANCIAL STATEMENTS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Position
As of June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,294,999	\$ (201,506)	\$ 6,093,493
Receivables, net	2,053,970	241,582	2,295,552
Capital assets, net	10,813,389	-	10,813,389
Total Assets	19,162,358	40,076	19,202,434
Deferred outflows of resources			
Pension deferred outflows	2,691,107		2,691,107
Total assets and deferred outflows of resources	\$ 21,853,465	\$ 40,076	\$ 21,893,541
LIABILITIES			
Cash Overdraft			-
Accounts payable	735,116	24,410	759,526
Due to School Districts	138,874	-	138,874
Deposits payable	-	-	-
Payable to federal government	-	-	-
Payable to state government	-	-	-
Deferred revenue	42,523	7,199	49,722
Net pension liability	11,142,652	-	11,142,652
Total liabilities	12,059,165	31,609	12,090,774
Deferred inflows of resources			
Pension deferred inflows	664,042	-	664,042
NET POSITION			
Invested in capital assets, net of related debt	10,813,389	-	10,813,389
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpendable	-	-	-
Other purposes	-	-	-
Unrestricted (Note 17)	(1,683,131)	8,467	(1,674,664)
Total net position	\$ 9,130,258	\$ 8,467	\$ 9,138,725
Fund Balance June 30, 2015 - B-1	\$7,440,923		
Cost of capital assets net accumulated depreciation	10,813,389		
Net position before pension adjustments	18,254,312		
Less pension adjustments net (Note 18) (Deficit)	(9,115,587)		
Total net position	\$9,138,725		

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (28,569,460)		\$ (3,671,587)		\$ (24,897,873)		\$ (24,897,873)
Support services:							
General administration	(17,573,326)		(459,123)		(17,114,203)		(17,114,203)
School administrative services/ operations plant serv.	(10,743,497)				(10,743,497)		(10,743,497)
On - behalf TPAF Social Security	(3,333,100)				(3,333,100)		(3,333,100)
Capital Outlay	(1,847,881)				(1,847,881)		(1,847,881)
Total governmental activities	(62,067,264)		(4,130,710)		(57,936,554)		(57,936,554)
Business-type activities:							
Food Service and Enrichment		(2,005,639)				(2,005,639)	(2,005,639)
Total business-type activities						(2,005,639)	(2,005,639)
Total primary government	(62,067,264)	\$ (2,005,639)	\$ (4,130,710)		\$ (57,936,554)	\$ (2,005,639)	\$ (59,942,193)
General revenues:							
					6,187,952		6,187,952
					46,354,725	-	46,354,725
					6,288,156	20,760	6,308,916
					-	1,329,176	1,329,176
					315,008		315,008
					338,600		338,600
						389,267	389,267
						266,436	266,436
					59,484,441	2,005,639	61,490,080
					1,547,887	0	1,547,887
					1,340,928	--	1,340,928
					2,888,815	0	2,888,815
					6,241,443	8,467	62,499
					\$ 9,130,258	\$ 8,467	\$ 9,138,725

The accompanying Notes to Financial Statements are an integral part of this document

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Balance Sheet
Governmental Funds
As of June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Program Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 7,425,964	\$ (1,130,965)			\$ 6,294,999
Investments					
Receivables, net	873,219	1,180,751			2,053,970
Inventory					
Restricted cash and cash equivalents					
Total assets	<u>\$ 8,299,183</u>	<u>\$ 49,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,348,969</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft		-	-		0
Accounts payable	727,853	7,263			735,116
Due to School Districts	138,874				138,874
Payable to federal government	-				
Payable to state government	-				
Deferred revenue	-	42,523			42,523
Total liabilities	<u>866,727</u>	<u>49,786</u>	<u>-</u>	<u>-</u>	<u>916,513</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	7,432,456		8,467		7,440,923
Capital projects fund					
Permanent fund					
Total Fund balances	<u>7,432,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,440,923</u>
Total liabilities and fund balances	<u>\$ 8,299,183</u>	<u>\$ 49,786</u>	<u>\$ 8,467</u>	<u>\$ -</u>	<u>\$ 8,348,969</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$12,587,190 and the accumulated depreciation

(\$916,147)

10,813,389

Net position before pension adjustments

18,254,312

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 7)

2,691,107

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

(664,042)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 7)

(11,142,652)

Net position of governmental activities

\$ 9,138,725

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local Share	\$ 6,187,952	\$ -	\$ -		\$ 6,187,952
State Share	46,354,725	-	-	-	46,354,725
Other Restricted Miscellaneous Revenues	315,008				315,008
Philanthropic Support	338,600	694,509		-	1,033,109
Total - Local Sources	53,196,285	694,509	-	-	53,890,794
State Sources	6,288,156			-	6,288,156
Federal Sources	-	3,436,201	-	-	3,436,201
Total Revenues	<u>59,484,441</u>	<u>4,130,710</u>	<u>-</u>	<u>-</u>	<u>63,615,151</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 24,897,873	\$ 3,671,587	\$ -	\$ -	\$ 28,569,460
Support Services- General Administrative	17,114,203	459,123	-	-	17,573,326
Support Services- School Admin/ operations plant se	10,743,497				10,743,497
On-behalf TPAF Social Security and Pension	3,333,100				3,333,100
Capital outlay	1,847,881			-	1,847,881
Total expenditures	<u>57,936,554</u>	<u>4,130,710</u>	<u>-</u>	<u>-</u>	<u>62,067,264</u>
Excess of revenues over expenditures	<u>1,547,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,547,887</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,547,887	-	-	-	1,547,887
Fund balance—July 1	5,884,569	-	-	-	5,884,569
Fund balance—June 30	<u>\$ 7,432,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,432,456</u>

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental funds (from B-2) \$ 1,547,887

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

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

	Depreciation expense	\$ (485,411)	
	Capital outlays	<u>1,826,339</u>	
			1,340,928

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

Change in net position of governmental activities \$ 2,888,815

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

PROPRIETARY FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Position
Proprietary Funds
As of June 30, 2015

			Business-type Activities Enterprise funds Food Service
ASSETS			
Current assets:			
Cash and cash equivalents	\$	-	
Investments			
Accounts receivable - Federal Aid		229,886	
Accounts receivables - State Aid		3,545	
Other receivables		8,151	
Total current assets		241,582	
Noncurrent assets:			
Restricted cash and cash equivalents		-	
Furniture, machinery & equipment		-	
Less accumulated depreciation		-	
Total noncurrent assets		-	
Total assets		241,582	
LIABILITIES			
Current liabilities:			
Cash overdraft		201,506	
Accounts payable		24,410	
Deferred Revenue		7,199	
Total current liabilities		233,115	
Total liabilities		233,115	
NET POSITION			
Invested in capital assets net of related debt		-	
Restricted for:			
Capital projects		-	
Unrestricted		8,467	
Total net position	\$	8,467	

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

Exhibit B-5

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

		Business-type Activities Enterprise Fund
		Food Service
		<hr/> <hr/>
Operating revenues:		
Charges for services:		
Daily sales - Reimbursable programs and Special Lunch Program	\$	95,899
Miscellaneous Revenue		170,537
Total operating revenues		<hr/> <hr/> 266,436
Operating expenses:		
Cost of sales		1,923,895
Salaries and Benefits		19,505
Transportation		62,239
Supplies, Materials and Other Expenses		-
Depreciation		-
Total Operating Expenses		<hr/> <hr/> 2,005,639
Operating income (loss)		<hr/> <hr/> (1,739,203)
Nonoperating revenues (expenses):		
Board Subsidy		389,267
State sources:		
State Breakfast Program		-
State school lunch program		20,760
Federal sources:		
National school breakfast program		244,584
National school lunch program		1,053,787
National snack program		30,805
Total nonoperating revenues (expenses)		<hr/> <hr/> 1,739,203
Income (loss) before contributions & transfers		-
Capital contributions		-
Transfers in (out)		-
Change in net position		-
Total net position - beginning		8,467
Total net position - ending	\$	<hr/> <hr/> 8,467

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

		Business-type Activities Enterprise Funds
		Food Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	80,549
Miscellaneous Revenue		170,537
Payments to suppliers		(1,981,229)
Net cash provided by (used for) operating activities		(1,730,143)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Federal Sources		389,267
Board Contribution		1,293,289
Net cash provided by (used for) non-capital financing activities		1,682,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase In Fixed Assets		-
Proceeds from sale/maturities of investments		-
Net cash provided by (used for) investing activities		-
Net increase (decrease) in cash and cash equivalents		(47,587)
Cash Balances—beginning of year		(168,317)
Cash Balances—end of year	\$	(215,904)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	-
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		(64,798)
(Increase) decrease in inventories		-
(Increase) decrease in USDA Commonities		-
Increase (decrease) in accounts payable		24,410
Increase (decrease) in Deferred Revenue		(7,199)
Total adjustments		(47,587)
Net cash provided by (used for) operating activities	\$	(47,587)

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

FIDUCIARY FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2015

	<u>Unemployment Compensation Trust</u>	<u>Gear Up Scholarship Fund</u>	<u>Agency Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 275	\$ 31,197	\$ 13,798	\$ 45,270
Investments, at fair value:				
U.S. government obligations	-	-	-	-
NJ municipal bonds	-	-	-	-
Total investments	-	-	-	-
Total assets	<u>\$ 275</u>	<u>\$ 31,197</u>	<u>\$ 13,798</u>	<u>\$ 45,270</u>
LIABILITIES				
Accounts payable		-	-	-
Payable to district	-	-		
Payable to student groups	-	-		
Payroll deductions and withholdings	-	-	13,798	13,798
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 13,798</u>	<u>\$ 13,798</u>
NET ASSETS				
Held in trust for unemployment claims and other purposes	<u>\$ 275</u>			<u>\$ 31,472</u>
Reserved for scholarships		<u>\$ 31,197</u>		<u>\$ 31,472</u>

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	Unemployment Compensation Trust	GEAR UP Scholarship Fund
ADDITIONS		
Contributions:		
Plan member		
Other	63,918	
Total Contributions	<u>63,918</u>	
Investment earnings:		
Net increase (decrease) in fair value of investments		
Interest		7
Dividends		
Less investment expense		
Net investment earnings		<u>7</u>
Total additions	<u>63,918</u>	<u>7</u>
DEDUCTIONS		
Quarterly contribution reports		
Unemployment claims	79,517	51,519
Scholarships awarded		
Refunds of contributions		
Administrative expenses		
Total deductions	<u>79,517</u>	<u>51,519</u>
Change in net assets	(15,599)	(51,512)
Net position - beginning of the year	<u>15,874</u>	<u>82,709</u>
Net position - end of the year	<u>\$ 275</u>	<u>\$ 31,197</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

North Star Academy Charter School of Newark (the “Charter School”) was incorporated in the State of New Jersey as a non-for-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 Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, 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.

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 School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter 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. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds 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 North Star Academy Charter School of Newark Board of Trustees 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 North Star Academy Charter School of Newark is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity.

The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the school over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School is not includable in any other reporting entity on the basis of such criteria.

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.

A. Basis of Presentation

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charter School Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at 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 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

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The following are the Charter Schools' major governmental funds:

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

As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds

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

Enterprise Funds - The Enterprise Fund 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.

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 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 involved measurement of results of operations.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C 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.

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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue 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 year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E 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. US 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

F 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.

G 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.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles 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.

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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Leasehold improvements	25
Equipment	10

I 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.

J Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K Deferred Revenue

Deferred Revenue represents funds which have been received but not yet earned.

General fund - Uncommon Schools, Inc. \$550,000

Special Revenue – deferred revenue to be utilized in 2015-2016.

Gear Up	\$2,121
ACE Programs	40,402
Total Special Revenue	\$42,523
Enterprise State Aid Grant	7,199
Total Enterprise Fund	\$7,199

L 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.
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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M 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.

N 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.

O Net Position

The North Star Academy Charter School of Newark 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.

The North Star Academy Charter School of Newark implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the current fiscal year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

3 DEPOSITS AND INVESTMENTS (continued)

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2015, the Charter School's carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency</u>	<u>Total</u>
Operating A/C	\$7,425,964	(\$1,130,965)	(\$201,506)	\$45,270	\$6,138,763

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2015, the Charter School's bank balance was \$6,138,763.

Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2015 were secured by federal deposit insurance and \$5,888,763 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School'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.

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

3 DEPOSITS AND INVESTMENTS (continued)

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. 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.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2015, the Charter School did not hold any investments.

4 CAPITAL ASSETS

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

	Beginning Balance <u>July 1, 2014</u>	Net Additions (Deletions)	Ending Balance <u>June 30, 2015</u>
Governmental Activities			
Capital assets, being depreciated:			
Leasehold improvements	\$10,049,697	\$1,826,339	\$11,876,036
Equipment	711,164	---	711,154
Total capital assets being depreciated	<u>\$10,760,861</u>	<u>\$1,826,339</u>	<u>\$12,587,190</u>
Less accumulated depreciation for:			
Leasehold improvements	\$888,102	\$438,411	\$1,326,513
Equipment	400,298	46,896	447,194
Total accumulated depreciation	<u>\$1,288,400</u>	<u>\$485,307</u>	<u>\$1,773,707</u>
Total capital assets net	<u><u>\$9,472,461</u></u>	<u><u>\$1,341,032</u></u>	<u><u>\$10,813,483</u></u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5. RENTAL EXPENSE

The school leases its premises under the terms of non-cancelable leases from Uncommon Schools, Inc. and the Newark Board of Education. Rent expense for the year ended June 30, 2015 amounted to \$3,674,451.

The renewal of leases after June 30, 2015 are currently being determined.

6. RELATED PARTY AND MANAGEMENT AGREEMENT

Uncommon Schools Inc. (USI), a nonprofit charter management organization, provided management services to the school during the school year. In addition, the school leases 6 facilities from USI. In the opinion of management, the rental payments under the lease approximate the market.

7 PENSION PLANS

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

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

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the Charter Schools are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$49,807,078 measured on June 30, 2014 and \$32,662,588 as measured on June 30, 2013.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$2,680,088 and revenue of \$2,680,088 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.

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

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	---	\$2,306,623,861
Collective deferred inflows of resources	---	\$1,763,205,593
Collective net pension liability (Nonemployer-State of New Jersey)	\$50,539,213,484	\$53,446,745,367
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.064629%	.093190%

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

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

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

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-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

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

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

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

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

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

At June 30, 2015, the Charter School a liability of \$11,142,652 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the Charter School's proportion was .0595140%, which was an increase of .011464% from its proportion measured as of June 30, 2013.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

For the year ended June 30, 2015, the Charter School recognized pension expense of \$912,963. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions	\$350,385	\$
Net difference between projected and actual earnings on pension plan investments		664,042
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	1,850,097	
Charter School contributions subsequent to the measurement date.	490,625	
Total	\$2,691,107	\$664,042

\$490,625 reported as deferred outflows of resources related to pensions resulting from the Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2015	(101,601)
2016	(101,601)
2017	(101,601)
2018	(101,601)
2019	64,309
Thereafter	38,637
Total:	(\$303,458)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

	6/30/13	6/30/14
Collective deferred outflows of resources	-	\$952,194,675
Collective deferred inflows of resources	-	\$1,479,224,662
Collective net pension liability (Non State- Local Group)	\$19,111,986,911	\$18,722,735,003
Charter schools proportion of net pension liability	9,184,123	11,142,652
Charter School proportion percentage	.0480542%	.0595140%

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

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

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

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

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

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

Discount rate. The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

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

Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate. The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.3 %, 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 (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the net pension liability	13,259,756	11,142,652	9,363,573

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

The sensitivity analysis was based on the proportionate share of the Charter School's net pension liability at June 30, 2014. A sensitivity analysis specific to the Charter School's net pension liability was not provided by the pension system.

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

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

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.38, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

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

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

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

Chapter 78's provisions impacting employee pension and health benefits include:

New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

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

Contribution Requirements - The contribution policy is set by N.J.S.A. 43: 15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 PENSION PLANS (continued)

TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2015	490,625	100%	-0-
6/30/2014	403,178	100%	-0-
6/30/2013	294,704	100%	-0-

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$1,914,584 to the TPAF for post-retirement benefits on behalf of the Charter School. Also, in accordance with NJ.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$1,418,516 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the Charter School's financial statements in accordance with GASB Statement No. 68.

8 POST RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

As of June 30, 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 benefits changed from a prefunding 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 employer 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

9 **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 amounts of vacation and sick leave in 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 the full amount to subsequent years.

Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School 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-.

10 **DEFERRED COMPENSATION**

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan permits participants to defer a portion of their salaries until future years.

11 **ECONOMIC DEPENDENCY**

The Charter School receives a substantial amount of its support from federal and state governments. 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.

12 **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 amounts 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

12 CONTINGENT LIABILITIES (continued)

The Charter School's attorney's letter advises that there is no litigation, pending 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.

13 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 and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

14 RECEIVABLES

Receivables as of 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 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$873,219</u>	<u>\$1,180,751</u>	<u>\$241,582</u>	<u>\$2,295,552</u>
Gross Receivables	<u>\$873,219</u>	<u>\$1,180,751</u>	<u>\$241,582</u>	<u>\$2,295,552</u>

15. LINE OF CREDIT

The school had entered into a Revolving Line of Credit with Sovereign Bank in the amount of \$3,000,000 to finance cash flow during the school year for the maturity date December 31, 2015. The Revolving Line of Credit was fully paid at June 30, 2015 thus the amount outstanding under the line of credit was zero. The term is not to exceed 12 months. Interest is payable at the prime rate plus 1.50% and interest expense amounted to \$20,578 for the period ended June 30, 2015. The loan is subject to certain guarantees and security interests on assets of the school.

16. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of October 2, 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

17. RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period

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

Governmental Activities Net Position

Net Position (per A-1), June 30, 2014	\$15,365,495
Restatement of Net Pension Liability	(9,184,123)
Restatement of Deferred Outflows-Pension	68,538
Net Position (per A-1), June 30, 2014, as Restated	<u>\$6,249,910</u>

18. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1	\$7,440,923
Cost of capital assets net accumulated depreciation	10,813,389
Pension deferred outflows	2,691,107
Pension deferred inflows	(664,042)
Deferred pension liability as of June 30, 2015	<u>(11,142,652)</u>
Net position (per A-1) as of June 30, 2015	<u>\$9,138,725</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2015
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Share	\$ 50,156,263	\$ (43,968,311)	\$ 6,187,952	\$ 6,187,952	-
State Share	2,057,354	44,297,371	46,354,725	46,354,725	-
Other Restricted Miscellaneous Revenues	-	-	\$ -	-	-
Miscellaneous	2,942,743	(2,289,135)	653,608	653,608	-
Total - Local Sources	<u>55,156,360</u>	<u>(1,960,075)</u>	<u>53,196,285</u>	<u>53,196,285</u>	<u>-</u>
Categorical Aid					
Special Education Aid	911,312	156,719	1,068,031	1,068,031	-
Security Aid	1,885,483	1,542	1,887,025	1,887,025	-
TPAF Medical(On-Behalf - Non-Budgeted)				1,174,648	(1,174,648)
TPAF Pension (On-Behalf - Non-Budgeted)	-		-	739,936	(739,936)
TPAF Social Security (Reimbursed - Non-Budgeted)			-	1,418,516	(1,418,516)
Total State Sources	<u>2,796,795</u>	<u>158,261</u>	<u>2,955,056</u>	<u>6,288,156</u>	<u>(3,333,100)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>57,953,155</u>	<u>(1,801,814)</u>	<u>56,151,341</u>	<u>59,484,441</u>	<u>(3,333,100)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 18,989,839	(1,033,752)	17,956,087	17,956,087	-
Other Salaries	1,138,005	1,023,328	2,161,333	2,161,333	-
Prof/Tech Services	-	-	-	-	-
Other Purchased Services	420,150	129,389	549,539	549,539	-
Prof/Tech Services	99,857	(15,615)	84,242	84,242	-
General Supplies	4,140,334	(608,080)	3,532,254	3,532,254	-
Textbooks	160,720	15,254	175,974	175,974	-
Other Objects	434,375	4,069	438,444	438,444	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>25,383,280</u>	<u>(485,407)</u>	<u>24,897,873</u>	<u>24,897,873</u>	<u>-</u>

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2015
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	2,870,850	(277,593)	2,593,257	2,593,257	-
Salaries of Secretarial and Clerical Assistants	1,667,805	3,053	1,670,858	1,670,858	-
Cost of Benefits	3,816,608	224,088	4,040,696	4,040,696	-
Contracted Management Services	5,083,777	54,993	5,138,770	5,138,770	-
Consultants	53,094	32,457	85,551	85,551	-
Purchased Professional and Technical Services	2,605,966	(752,089)	1,853,877	1,853,877	-
Communications/Telephone	545,400	(163,766)	381,634	381,634	-
Interest on Current Loans	-	-	-	-	-
Supplies and Materials	1,580,436	(312,980)	1,267,456	1,267,456	-
Other Objects	57,469	24,635	82,104	82,104	-
	18,281,405	(1,167,202)	17,114,203	17,114,203	-
Support Services - School Admin/Operation Plant Services					
Salaries	1,940,665	410,106	2,350,771	2,350,771	-
Purchased Professional and Technical Services	444,815	(4,372)	440,443	440,443	-
Other Purchased Services	1,912,399	197,452	2,109,851	2,109,851	-
Rental of Land and Building- other than Lease Purchase Agreements	5,710,365	(2,035,914)	3,674,451	3,674,451	-
Insurance	181,000	22,274	203,274	203,274	-
General Supplies	238,037	32,803	270,840	270,840	-
Transportation- Trips	445,566	(102,123)	343,443	343,443	-
Energy (Energy and Electricity)	933,490	(57,398)	876,092	876,092	-
Other Objects	318,832	(284,769)	34,063	34,063	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	12,125,169	(1,821,941)	10,303,228	10,303,228	-
Food Service					
Board Subsidy	-	389,267	389,267	389,267	-
Other Purchsed Services	-	51,002	51,002	51,002	-
Total Food Services	-	440,269	440,269	440,269	-
On-behalf TPAF Medical Contributions (non-budgeted)	-	-	-	1,174,648	(1,174,648)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	739,936	(739,936)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	1,418,516	(1,418,516)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	3,333,100	3,333,100
TOTAL UNDISTRIBUTED EXPENDITURES	30,406,574	(2,548,874)	27,857,700	31,190,800	(3,333,100)
TOTAL GENERAL CURRENT EXPENSE	55,789,854	(3,034,281)	52,755,573	56,088,673	(3,333,100)

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	-	1,164	1,164	1,164	-
Non-Instructional Equipment	20,120	258	20,378	20,378	-
Miscellaneous	2,143,181	1,231,045	3,374,226	1,826,339	1,547,887
Total Equipment	<u>2,163,301</u>	<u>1,232,467</u>	<u>3,395,768</u>	<u>1,847,881</u>	<u>1,547,887</u>
TOTAL EXPENDITURES- GENERAL FUND	57,953,155	(1,801,814)	56,151,341	57,936,554	(1,785,213)
Excess of Revenues (Deficiency) Over (Under) Expenditures				1,547,887	(1,547,887)
 				-	
Other Financing Sources:					
Operating Transfer In:	-	-	-	-	-
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	1,547,887	(1,547,887)
Fund Balance, July 1	-	-	5,884,569	5,884,569	
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,884,569</u>	<u>\$ 7,432,456</u>	<u>\$ (1,547,887)</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 694,509		\$ 694,509	\$ 694,509	
State Sources	-		-	-	
Federal Sources	3,436,201		3,436,201	3,436,201	
Total Revenues	<u>4,130,710</u>		<u>4,130,710</u>	<u>4,130,710</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	2,098,253		2,098,253	2,098,253	
Other Salaries for Instruction					
Purchased Professional -Educational Services	75,422		75,422	75,422	
Other Purchased Services	10,113		10,113	10,113	
Technical Supplies					
Instructional Supplies	893,283		893,283	893,283	
Textbooks	13,868		13,868	13,868	
General Supplies	-		-	-	
Personal Services- Employee Benefits	579,551		579,551	579,551	
Administrative Costs					
Miscellaneous	1,097		1,097	1,097	
Total Instruction	<u>3,671,587</u>		<u>3,671,587</u>	<u>3,671,587</u>	
Support Services					
Salaries of Supervisor of Instruction	77,000		77,000	77,000	
Salaries of Program Directors	159,651		159,651	159,651	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants	9,750		9,750	9,750	
Supplies and Materials	14,156		14,156	14,156	
Transportation	34,794		34,794	34,794	
Communication	3,234		3,234	3,234	
Graduation Expense					
Other Purchase Services	328		328	328	
Scholarship Aid	160,210		160,210	160,210	
Security					
Student Enrichment	-		-	-	
Total Support Services	<u>459,123</u>		<u>459,123</u>	<u>459,123</u>	

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to Charter School	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,130,710</u>	<u>-</u>	<u>4,130,710</u>	<u>4,130,710</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Outflows	<u>4,130,710</u>	<u>-</u>	<u>4,130,710</u>	<u>4,130,710</u>	<u>-</u>
Excess of Revenues (Deficiency) Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$ 4,130,710</u>	<u>\$ -</u>	<u>\$ 4,130,710</u>	<u>\$ 4,130,710</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**NORTH STAR ACADEMY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2013</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)	.048054	.059514
Charter School Proportionate share of the net pension liability (asset)	<u>9,184,123</u>	<u>11,142,652</u>
Charter School Covered employee payroll	\$3,449,571	\$4,503,990
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	266.2%	247.4%
Plan fiduciary net position as a percentage of the total pension liability	37.56%	40.4%

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

**NORTH STAR ACADEMY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2013</u>	<u>2014</u>
Contractually required contribution	\$497,300	\$668,883
Contributions in relation to the contractually required contribution	<u>(497,300)</u>	<u>(668,886)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Charter School Covered employee payroll	3,449,571	4,503,090
Contributions as a percentage of covered employee payroll	14.4%	14.9%

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

**NORTH STAR ACADEMY CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30**

Teachers' Pension and Annuity Fund (TPAF)

	<u>2013</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	<u>32,662,588</u>	<u>49,807,078</u>
Total	<u>32,662,588</u>	<u>49,807,078</u>
Charter School Covered employee payroll	11,389,985	13,676,988
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A

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

**NORTH STAR ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Public Employees' Retirement System (PERS)

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

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

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 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 for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

SPECIAL REVENUE FUND

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2015

	TOTAL	IDEA PART B-Basic Reg. Prog.	TITLE I	TITLE II	FEDERAL CSP	SEMI Grant	Gear up	ACE Grant	Private Grants
REVENUES									
Intergovernmental									
State									
Federal	3,436,201	545,305	2,199,918	11,550	607,275	72,153			
Other Sources									
Miscellaneous	694,509						18,661	325,848	350,000
Total Revenues	<u>4,130,710</u>	<u>545,305</u>	<u>2,199,918</u>	<u>11,550</u>	<u>607,275</u>	<u>72,153</u>	<u>18,661</u>	<u>325,848</u>	<u>350,000</u>
EXPENDITURES									
Instruction									
Salaries	2,098,253	356,782	1,732,080	9,391					
Purchased Prof. and Tech. Services	75,422				3,269	72,153			
Other Purchased Services	10,113		10,113						
Instructional Supplies	893,283				506,718			36,565	350,000
Textbooks	13,868				13,868				
Personal Services - Employee Benefits	579,551	112,523	447,975	2,159				16,894	
Miscellaneous	1,097							1,097	
Total Instruction	<u>3,671,587</u>	<u>469,305</u>	<u>2,190,168</u>	<u>11,550</u>	<u>523,855</u>	<u>72,153</u>	<u>0</u>	<u>54,556</u>	<u>350,000</u>
Support Services									
Salaries of Supervisors of Instruction	77,000	76,000						1,000	
Salaries of Program Directors	159,651							159,651	
Salaries of Secretarial and Clerical Ass't	9,750		9,750						
Transportation	34,794							34,794	
Communication	3,234							3,234	
Scholarships Aid	160,210				68,936		18,661	72,613	
Other Purchase Services	328				328				
Supplies and Materials	14,156				14,156				
Total Support Services	<u>459,123</u>	<u>76,000</u>	<u>9,750</u>	<u>0</u>	<u>83,420</u>	<u>0</u>	<u>18,661</u>	<u>271,292</u>	<u>0</u>
TOTAL EXPENDITURES	<u><u>4,130,710</u></u>	<u><u>545,305</u></u>	<u><u>2,199,918</u></u>	<u><u>11,550</u></u>	<u><u>607,275</u></u>	<u><u>72,153</u></u>	<u><u>18,661</u></u>	<u><u>325,848</u></u>	<u><u>350,000</u></u>

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Position
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities
	Enterprise Fund
	Food Services
ASSETS	
Current Assets	
Cash	\$0
Intergovernmental Receivable	
Federal	\$229,886
State	3,545
Accounts Receivable	8,151
Total Current Assets	241,582
Total Assets	241,582
 LIABILITIES	
Cash Overdraft	201,506
Accounts Payable	24,410
Deferred Revenue	7,199
Total Current Liabilities	233,115
 Net Position	
Unrestricted	8,467
Invested in capital assets net of related debt	0
Total Net Position	\$8,467

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

	Business-Type Activities	Business-Type Activities	Business-Type Activities
	Enterprise Fund Food Services	Enrichment Program	Total
OPERATING REVENUES			
Local Sources			
Daily Sales - Reimbursable Programs	\$95,899		\$95,899
Special Lunch and Breakfast Program			
Miscellaneous Revenue		170,537	170,537
Total Operating Revenues	<u>95,899</u>	<u>170,537</u>	<u>266,436</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits		19,505	19,505
Supplies, Materials & Other	1,835,102	88,793	1,923,895
Transportation		62,239	62,239
Depreciation			
Cost of Sales			
Total Operating Expenses	<u>1,835,102</u>	<u>170,537</u>	<u>2,005,639</u>
Income (Loss) From Operations	<u>(1,739,203)</u>	<u>0</u>	<u>(1,739,203)</u>
Nonoperating Revenues			
Board Subsidy	389,267		389,267
State Sources			
State Lunch	20,760		20,760
Federal Sources			
School Breakfast Program	244,584		244,584
National School Lunch Program	1,053,787		1,053,787
National Snack Program	30,805		30,805
Total Nonoperating Revenues	<u>1,739,203</u>	<u>0</u>	<u>1,739,203</u>
Net Income (Loss)	0	0	0
Total Net Position- Beginning of Year	8,467		8,467
Total Net Position- End of Year	<u>\$8,467</u>	<u>\$0</u>	<u>\$8,467</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

Cash flows from operating activities	
Cash Received from Customers	80,549
Miscellaneous Revenue	170,537
Cash Payments to Suppliers for Goods and Services	<u>(1,981,229)</u>
Net Cash (Used) by Operating Activities	<u>(1,730,143)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	389,267
Cash Received from State and Federal Subsidy Reimbursements	<u>1,293,289</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,682,556</u>
Cash Flows from Investing Activities	---
Net Cash Provided by Investing Activities	<u>---</u>
Net Increase in Cash and Cash Equivalents	(47,587)
Cash and Cash Equivalents, Beginning of Year	<u>(168,317)</u>
Cash and Cash Equivalents, End of Year	<u><u>(\$215,904)</u></u>
Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	\$0
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	(64,798)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	24,410
Increase/(Decrease) in Deferred Revenue	(7,199)
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(47,587)</u>
Net Cash Used by Operating Activities	<u><u>(\$47,587)</u></u>

FIDUCIARY FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Fiduciary Funds
Combining Statement of Agency Fund Net Position
As of June 30, 2015

	Unemployment Insurance	Gear Up Scholarships	Parent Council	Payroll Account	Payroll Agency	TOTAL
ASSETS						
Cash	\$275	\$31,197	\$88,564	\$6,516	\$7,282	\$133,834
Total Assets	<u>\$275</u>	<u>\$31,197</u>	<u>\$88,564</u>	<u>\$6,516</u>	<u>\$7,282</u>	<u>\$133,834</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Intergovernmental Payble - State						
Payroll Deductions and Withholdings				6,516	7,282	13,798
College Trust Fund		31,197				31,197
Due to Student Groups			88,564			88,564
Total Liabilities	<u>0</u>	<u>31,197</u>	<u>88,564</u>	<u>6,516</u>	<u>7,282</u>	<u>133,559</u>
Net Position						
Reserve For Unemploy. Trust Fund	275	0	0	0	0	275
Total Net Position	<u>275</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>275</u>
Total Liabilities and Net Position	<u>\$275</u>	<u>\$31,197</u>	<u>\$88,564</u>	<u>\$6,516</u>	<u>\$7,282</u>	<u>\$133,834</u>

Exhibit H-2

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2015**

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Parent Council Funds
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Parent Council Fund	\$76,148	\$166,800	(\$154,384)	\$88,564
Total	\$76,148	\$166,800	(\$154,384)	\$88,564

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
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	\$0	\$34,296,463	\$34,296,463	\$0
Total Liabilities	<u>0</u>	<u>34,296,463</u>	<u>34,296,463</u>	<u>0</u>
LIABILITIES				
Payroll Deductions and Withholdings	0	19,191,711	19,191,711	
Accrued Salaries and Wages		15,104,752	15,104,752	
Total Liabilities	<u>\$0</u>	<u>\$34,296,463</u>	<u>\$34,296,463</u>	<u>\$0</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
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	\$15,874	\$63,918	\$79,517	\$275
Total Assets	<u>\$15,874</u>	<u>\$63,918</u>	<u>\$79,517</u>	<u>\$275</u>
LIABILITIES				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FUND BALANCE				
Reserve for Unemployment Compensation	<u>\$15,874</u>	<u>\$63,918</u>	<u>\$79,517</u>	<u>\$275</u>
Total Liabilities and Net Position	<u>\$15,874</u>	<u>\$63,918</u>	<u>\$79,517</u>	<u>\$275</u>

FINANCIAL TRENDS

NORTH STAR ACADEMY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 10,813,389	\$ 9,472,461	\$ 7,251,540	\$ 5,024,166	\$ 2,854,690	\$ 2,010,813
Restricted						
Unrestricted	(1,674,664)	(3,222,551)	4,563,973	3,765,557	3,148,080	2,806,380
Total governmental activities net position	<u>\$ 9,138,725</u>	<u>\$ 6,249,910</u>	<u>\$ 11,815,513</u>	<u>\$ 8,789,723</u>	<u>\$ 6,002,770</u>	<u>\$ 4,817,193</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted						
Unrestricted	8,467	8,467	8,467	8,467	8,078	7,731
Total business-type activities net position	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,078</u>	<u>\$ 7,731</u>
School-wide						
Invested in capital assets, net of related debt	\$ 10,813,389	\$ 9,472,461	\$ 7,251,540	\$ 5,024,166	\$ 2,854,690	\$ 2,010,813
Restricted						
Unrestricted	(1666197)*	(3,214,084)	4,572,440	3,774,024	3,156,158	2,814,111
Total school net position	<u>\$ 9,147,192</u>	<u>\$ 6,258,377</u>	<u>\$ 11,823,980</u>	<u>\$ 8,798,190</u>	<u>\$ 6,010,848</u>	<u>\$ 4,824,924</u>

*As restated

Source: School Financial Statements

NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expenses						
Governmental activities						
Instruction						
Regular	\$ 28,569,460	\$ 22,353,327	\$ 18,661,363	\$ 13,319,253	\$ 10,361,359	\$ 7,234,698
Support Services:						
General administration	17,573,326	13,392,668	10,944,715	8,008,480	5,506,704	3,983,827
School Administrative Services	10,743,497	8,372,729	6,105,589	5,218,176	3,150,008	2,272,879
On-behalf TPAF Social Security	3,333,100	2,211,170	1,887,819	1,274,360	824,460	475,850
Capital outlay	1,847,881	2,590,690	2,543,174	2,315,040	939,964	450,513
Unallocated depreciation	485,411	368,075	315,800	121,351	75,478	64,147
Total governmental activities expenses	<u>62,552,675</u>	<u>49,288,659</u>	<u>40,458,460</u>	<u>30,256,660</u>	<u>20,857,973</u>	<u>14,481,914</u>
Business-type activities:						
Food service	2,005,639	1,411,837	1,254,950	934,288	671,555	493,079
Child Care	-	-	-	-	-	-
Total business-type activities expense	<u>2,005,639</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,288</u>	<u>671,555</u>	<u>493,079</u>
Total school expenses	<u>\$ 64,558,314</u>	<u>\$ 50,700,496</u>	<u>\$ 41,713,410</u>	<u>\$ 31,190,948</u>	<u>\$ 21,529,528</u>	<u>\$ 14,974,993</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-
Operating grants and contributions	4,130,710	3,741,155	4,092,714	3,627,756	1,964,866	1,451,693
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>4,130,710</u>	<u>3,741,155</u>	<u>4,092,714</u>	<u>3,627,756</u>	<u>1,964,866</u>	<u>1,451,693</u>
Business-type activities:						
Charges for services						
Food service	2,005,659	1,411,837	1,254,950	934,677	671,902	493,551
Child care	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business type activities program revenues	<u>2,005,659</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,677</u>	<u>671,902</u>	<u>493,551</u>
Total school program revenues	<u>\$ 6,136,369</u>	<u>\$ 5,152,992</u>	<u>\$ 5,347,664</u>	<u>\$ 4,562,433</u>	<u>\$ 2,636,768</u>	<u>\$ 1,945,244</u>
Net (Expense)/Revenue						
Governmental activities	\$ (58,421,965)	\$ (45,547,504)	\$ (36,365,746)	\$ (26,628,904)	\$ (19,564,662)	\$ (13,523,300)
Business-type activities	-	-	-	389	347	472
Total school-wide net expense	<u>\$ (58,421,965)</u>	<u>\$ (45,547,504)</u>	<u>\$ (36,365,746)</u>	<u>\$ (26,628,515)</u>	<u>\$ (19,564,315)</u>	<u>\$ (13,522,828)</u>

**NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Local share	\$ 6,187,952	\$ 5,739,383	\$ 4,363,898	\$ 3,046,200	\$ 2,178,570	\$ 1,610,416
State Share	46,354,725	35,548,577	27,930,177	20,400,537	14,493,444	10,557,444
State Aid	6,288,156	4,780,707	3,490,180	2,655,976	1,840,605	1,235,873
Miscellaneous income	653,608	431,356	1,064,107	1,022,317	646,615	724,688
Increase in Net Capital Outlay	1,826,339	2,588,996	2,543,174	2,290,827	919,355	457,151
Investment earnings	-	-	-	-	95	-
Miscellaneous income	-	-	-	-	-	157
Transfers	-	-	-	-	-	-
Total governmental activities	<u>61,310,780</u>	<u>49,089,019</u>	<u>39,391,536</u>	<u>29,415,857</u>	<u>20,078,684</u>	<u>14,585,729</u>
Business-type activities:						
Investment earnings	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total school-wide	<u>\$ 61,310,780</u>	<u>\$ 49,089,019</u>	<u>\$ 39,391,536</u>	<u>\$ 29,415,857</u>	<u>\$ 20,078,684</u>	<u>\$ 14,585,729</u>
Change in Net Position						
Governmental activities	\$ 2,888,815	\$ 3,541,515	\$ 3,025,790	\$ 2,786,953	\$ 514,022	\$ 1,062,429
Business-type activities	-	-	-	389	347	472
Total school	<u>\$ 2,888,815</u>	<u>\$ 3,541,515</u>	<u>\$ 3,025,790</u>	<u>\$ 2,787,342</u>	<u>\$ 514,369</u>	<u>\$ 1,062,901</u>

Source: School Financial Statements

**NORTH STAR ACADEMY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund						
Reserved						
Unreserved	\$ 7,432,456	\$ 5,884,567	\$ 4,563,973	\$ 3,765,557	\$ 3,148,080	\$ 2,806,380
Total General Fund	<u>\$ 7,432,456</u>	<u>\$ 5,884,567</u>	<u>\$ 4,563,973</u>	<u>\$ 3,765,557</u>	<u>\$ 3,148,080</u>	<u>\$ 2,806,380</u>
 All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Source: School Financial Statements

**NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues						
Local tax Levy	\$6,187,952	\$5,739,383	\$4,363,898	\$3,046,200	\$2,178,570	\$1,610,416
Other local revenue	2,003,820	1,594,353	2,520,843	2,234,821	899,710	926,800
State sources	52,663,641	40,346,110	31,436,235	23,070,322	16,344,231	11,793,317
Federal sources	4,765,377	3,973,169	3,875,050	3,336,120	2,373,586	1,249,738
Total revenue	<u>65,620,790</u>	<u>51,653,015</u>	<u>42,196,026</u>	<u>31,687,463</u>	<u>21,796,097</u>	<u>15,580,271</u>
Expenditures						
Instruction						
Regular Instruction	24,897,873	19,006,149	15,532,877	9,279,438	7,660,203	5,261,755
Undistributed Instruction				-		
Support Services:						
General administration	17,114,203	12,998,691	9,980,487	8,420,539	6,242,454	4,505,077
School administrative services/Plant	10,743,497	8,372,729	6,105,589	5,218,176	3,150,008	2,272,879
TPAF Social Security	3,333,100	2,211,170	1,887,819	1,274,360	824,460	475,850
Food Service	2,005,639	1,411,837	1,254,950	934,288	671,555	
Capital outlay	1,847,881	2,590,690	2,543,174	2,315,040	939,964	450,513
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Special Revenue	4,130,710	3,741,155	4,092,714	3,627,756	1,964,866	1,451,693
Total expenditures	<u>64,072,903</u>	<u>50,332,421</u>	<u>41,397,610</u>	<u>31,069,597</u>	<u>21,453,510</u>	<u>14,417,767</u>
Excess (Deficiency) of revenues over (under) expenditures	1,547,887	1,320,594	798,416	617,866	342,587	1,162,504
Other Financing sources (uses)						
Proceeds from borrowing	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$1,547,887</u>	<u>\$1,320,594</u>	<u>\$798,416</u>	<u>\$617,866</u>	<u>\$342,587</u>	<u>\$1,162,504</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School Financial Statements

REVENUE CAPACITY

Exhibit J-5

**NORTH STAR ACADEMY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Fiscal Years Ended June 30
(Unaudited)**

	<u>E-Rate</u>	<u>Donations</u>	<u>Other Local</u>	<u>Totals</u>
2010		724,688	157	724,845
2011		646,618	92	646,710
2012		1,022,317	--	1,022,317
2013	345,049	719,058	--	1,064,107
2014	239,646	191,710	--	431,356
2015	315,008	338,600		653,608

Source: School Financial Statements

Exhibit J-6

**NORTH STAR ACADEMY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**NORTH STAR ACADEMY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**NORTH STAR ACADEMY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**NORTH STAR ACADEMY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**NORTH STAR ACADEMY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**NORTH STAR ACADEMY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**NORTH STAR ACADEMY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**NORTH STAR ACADEMY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Years Ended June 30
(Unaudited)

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

NORTH STAR ACADEMY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2015
(Unaudited)

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airline	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%

NORTH STAR ACADEMY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Instruction						
Regular	289	241	226	160	123	99
Special education						
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services						
General administration	34	28				
School administrative services						
Other administrative services						
Central services						
Administrative Information Technology						
Plant operations and maintenance						
Pupil transportation						
Other support services	61	60				
Special Schools						
Food Service						
Child Care						
Total	<u>384</u>	<u>329</u>	<u>226</u>	<u>160</u>	<u>123</u>	<u>99</u>

Source: School Personnel Records

NORTH STAR ACADEMY CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2010	902	14,460,330	16,031	5%	99	10	10	10	906	875	28.7%	96.6%
2011	1,247	20,110,036	16,127	1%	123	37	54	32	1257	1209	38.7%	96.2%
2012	1,677	30,421,990	18,141	12%	160	61	71	28	1671	1625	33.0%	96.9%
2013	2,203	40,326,665	18,305	1%	226	91	100	35	2187	2090	30.9%	95.6%
2014	2,733	49,435,078	18,088	-1%	241	104	100	37	2711	2570	24.0%	95.0%
2015	3,441	64,072,903	18,620	3%	289	158	87	44	3436	3281	26.7%	95.5%

Sources: School records

NORTH STAR ACADEMY CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(Unaudited)

<u>School Building</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Downtown Campus (MS#1, HS and Network Office)						
Square Feet	109,200	109,200	109,200	104,900	43,000	25,220
Capacity (students)	900	900	900	900	500	300
Enrollment	722	679	624	539	465	
Vailsburg Campus (ES#1, MS#3)						
Square Feet	89,000	81,000	81,000	81,000	80,000	9,000
Capacity (students)	800	800	800	735	800	230
Enrollment	762	757	673	576	473	221
Clinton Hill Campus (MS#2)						
Square Feet	40,000	40,000	40,000	40,000	40,000	40,000
Capacity (students)	400	400	400	400	400	300
Enrollment	333	308	293	300	308	
West Side Park Campus (ES#2, MS#4)						
Square Feet	86,000	86,000	86,000	85,000	-	-
Capacity (students)	850	735	735	735	-	-
Enrollment	709	536	348	174	-	-
Fairmount Campus (ES#3, ES#4)						
Square Feet	118,888	118,888	118,888	12,637	-	-
Capacity (students)	1,000	1,000		87	-	-
Enrollment	625	453	265	87	-	-
Alexander Campus (ES#5)						
Square Feet	75,000					
Capacity (students)	700					
Enrollment	290					
Number of Schools at June 30						
Elementary = 5						
Middle School = 4						

Exhibit J-19

**NORTH STAR ACADEMY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NON APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Commercial Property	\$ 37,112,500	\$ 5,000
Boiler and Machinery	1,000,000	5,000
General Automobile Liability	16,000,000	-
School Board Legal Liability	6,000,000	
Umbrella	16,000,000	-
Workers' Compensation	2,000,000	-
 Surety Bonds (3)		
School Board Legal Liability	50,000	
Public Official Bond	100,000	

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited

Charter School Performance Framework Financial Indicators
Sustainability Indicators

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	6,093,493	5,779,792	4,789,709	3,513,214
Current Assets	8,389,045	6,586,756	5,554,760	4,647,671
Capital Assets-Net	10,813,389	9,472,461	7,251,540	5,024,166
Total Assets	<u>19,202,434</u>	<u>16,059,217</u>	<u>12,806,300</u>	<u>9,671,837</u>
Current Liabilities	948,122	693,722	982,320	873,647
Long Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities				
Net Position	<u>18,254,312</u>	<u>15,365,495</u>	<u>11,823,980</u>	<u>8,798,190</u>
Total Revenue	65,620,790	51,653,015	42,196,026	31,687,463
Total Expenses	<u>(64,072,903)</u>	<u>(50,332,421)</u>	<u>(41,397,610)</u>	<u>(31,069,597)</u>
Change in Net Position	<u>1,547,887</u>	<u>1,320,594</u>	<u>798,416</u>	<u>617,866</u>
Depreciation	485,411	368,075	315,800	121,351
Principal Payments	0	0	0	0
Interest payments	0	0	0	0
Final average daily enrollment			2,090	1,625
March 30th budgeted Enrollment			2,000	1,600
Near term indicators	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
CURRENT RATIO	8.85	9.49	5.65	5.32
Unrestricted days cash	41.91	41.91	42.23	41.27
Enrollment variance	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited

Charter School Performance Framework Financial Indicators
Sustainability Indicators

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	6,093,493	5,779,792	4,789,709	3,513,214
Current Assets	8,389,045	6,586,756	5,554,760	4,647,671
Capital Assets-Net	10,813,389	9,472,461	7,251,540	5,024,166
Total Assets	<u>19,202,434</u>	<u>16,059,217</u>	<u>12,806,300</u>	<u>9,671,837</u>
Current Liabilities	948,122	693,722	982,320	873,647
Long Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities				
Net Position	<u>18,254,312</u>	<u>15,365,495</u>	<u>11,823,980</u>	<u>8,798,190</u>
Total Revenue	65,620,790	51,653,015	42,196,026	31,687,463
Total Expenses	<u>(64,072,903)</u>	<u>50,332,421</u>	<u>(41,397,610)</u>	<u>(31,069,597)</u>
Change in Net Position	<u>1,547,887</u>	<u>1,320,594</u>	<u>798,416</u>	<u>617,866</u>
Depreciation	485,411	368,075	315,800	121,351
Principal Payments	0	0	0	0
Interest payments	0	0	0	0
Final average daily enrollment			2,090	1,625
March 30th budgeted Enrollment			2,000	1,600
Sustainability Indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total margin	3%	3%	2%	2%
Debt to Asset cash flow	N/A	N/A	N/A	N/A
Debt Service Coverage ratio	313,701	990,083	1,276,495	1,506,693
	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
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EXHIBIT K-1

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

The Honorable President and
Members of the Board of Trustees
North Star Academy Charter School of Newark
County of Essex
Newark, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Star Academy Charter School of Newark ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated October 2, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

I also noted certain matters that I reported to management of the North Star Academy Charter School of Newark in a separate report entitled, "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" dated October 2, 2015.

Purpose of this Report

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underneath the name.

Scott J Loeffler, CPA
October 2, 2015

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EXHIBIT K-2

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR NJOMB 15-08

The Honorable President and
Members of the Board of Trustees
North Star Academy Charter School of Newark
County of Essex
Newark, New Jersey

Compliance

I have audited the North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2015. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and State of New Jersey Department of Treasury Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, OMB Circular A-133 and State of New Jersey Department of Treasury Circular 15-08-OMB require that I 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 federal or 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 I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In my opinion, the Charter School 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 federal and state program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I 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 federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Department of Treasury Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

My 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. I did not identify any deficiencies

in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Department of Treasury Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler" with "CPA" written in smaller letters to the right of the name.

Scott J. Loeffler, CPA
October 2, 2015

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal/Grantor Program Title	FEDERAL CFDA Number	Grant Period	Award Amount	Balance July 1, 2014	Prior Carry over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Deferred Revenue/ (Accounts Receivable) June 30, 2015	Due to Grantor at June 30, 2015
Food Subsidy											
Federal School Lunch	10.555	07/01/14-06/30/15	1,053,787	(143,003)		\$1,015,365	\$1,053,787			(181,425)	
Federal Breakfast	10.553	07/01/14-06/30/15	244,584	(23,376)		226,962	244,584			(40,998)	
National Snack Program	10.558	07/01/14-06/30/15	50,805	(7,544)		30,886	30,805			(7,463)	
Special Revenue Fund											
NCLB											
Title I Part A	84.010 A	07/01/14-06/30/15	2,199,918	(8,124)		1,280,200	2,199,918			(927,842)	
Title II Part A	84-367A	07/01/14-06/30/15	11,550			11,550	11,550				
Medicaid Semi Grant	93.778	07/01/14-06/30/15	72,153			72,153	72,153				
Charter School Program	84.282	07/01/14-06/30/15	607,275	(13,077)		620,352	607,275			0	
IDEA Basic	84.027	07/01/14-06/30/15	545,305	(151,248)		469,342	545,305			(227,211)	
Total Special Revenue				(172,449)		2,453,597	3,436,201			(1,155,053)	---
				(\$346,372)		\$3,726,810	\$4,765,377			(\$1,384,939)	

See accompanying notes to schedules of expenditures of Federal and State awards.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2015

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2014</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2015</u>
GENERAL FUND									
TPAF Social Security	15-495-034-5095-002	7/1/14-06/30/15	1,418,516		1,418,516	1,418,516			
Equalization Aid - Local	15-495-034-5120-078	7/1/14-06/30/15	6,187,952		6,187,952	6,187,952			
Equalization Aid - State	15-495-034-5120-078	7/1/14-06/30/15	46,354,725		46,354,725	46,354,725			
Special Education	15-495-034-5120-089	7/1/14-06/30/15	1,068,031		1,068,031	1,068,031			
Security Aid	15-495-034-5120-084	7/1/14-06/30/15	1,887,025		1,887,025	1,887,025			
Total General Fund				--	56,916,249	56,916,249			
ENTERPRISE FUND									
State School Lunch	15-100-010-3350-023	7/1/14-06/30/15	20,760	(2,861)	20,076	20,760			(3,545)
Total Enterprise				(2,861)	20,076	20,760			(3,545)
Total State Financial Aid Subject to OMB 04-04				<u>(2,861)</u>	<u>56,936,325</u>	<u>56,937,009</u>			<u>(3,545)</u>
On Behalf TPAF Pension/Medical	15-495-034-5095-050	7/1/14-06/30/15			\$1,914,584	\$1,914,584			
Total State Financial Assistance					<u>\$58,850,909</u>	<u>\$58,851,593</u>			

See accompanying notes to schedules of expenditures of Federal and State Awards.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the Board of Trustees of the North Star Academy Charter School of Newark. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state assistance received directly from federal and state agencies, as well as federal assistance 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 using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the school's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and NJOMB Circular 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (continued)

GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ ---	\$58,830,833	\$58,830,833
Special Revenue Fund	3,436,201	---	3,436,201
Food Service Fund	<u>1,329,176</u>	<u>20,760</u>	<u>1,046,192</u>
Total Awards and Financial Assistance	<u>\$4,765,377</u>	<u>\$58,851,593</u>	<u>\$63,313,226</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount paid as TPAF Pension and Medical Contributions represents the state on behalf of the Charter School for the year ended June 30, 2015 was \$1,914,584. TPAF Social Security Contributions represents the amount of \$1,418,516 reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Noncompliance material to financial statements noted?	X	

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X	

Identification of major programs:

CDFA Number(s)	Name of Federal Program
84.010 A	No Child Left Behind – Title I Part A
84.282	Charter School Program
84.027 A	IDEA Part B
10.555	Federal Lunch Program

Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000
--	-----------

Auditee qualified as low risk auditee:	X
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**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$1,708,110	
Auditee qualified as low risk auditee:	X	
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X
Identification of major programs:		
GMIS Number(s)	Name of State Program	
15-495-034-5120-078	Charter School Aid Local and State	
15-495-034-5095-002	TPAF Social Security	
15-495-034-5120-084	Security Aid	
15-495-034-5120-089	Special Education	

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART II – SCHEDULE OF 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 in accordance with Government Auditing Standards.

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND
QUESTIONED COSTS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 15-08.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of OMB Circular A-133 or with NJOMB Circular 15-08.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
SUMMARY OF 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*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.