

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PEOPLE'S PREPARATORY CHARTER SCHOOL
NEW JERSEY
FOR THE YEAR ENDED JUNE 30, 2016**

PEOPLE’S PREPARATORY CHARTER SCHOOL
JUNE 30, 2016
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	1
Roster of Trustees and Officers	11
Consultants and Advisors	12

FINANCIAL SECTION

Independent Auditor's Report on General Purpose Financial Statements and Supplementary Schedule of Expenditures of Federal Awards and State Financial Assistance	13
Required Supplementary Information - Part I Management's Discussion and Analysis	16

Basic Financial Statements:

A. School-wide Financial Statements

A-1 Statement of Net Position	27
A-2 Statement of Activities	28

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet	29
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	30
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31

Proprietary Funds:

B-4 Statement of Net Position	32
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	33
B-6 Statement of Cash Flows	34

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position	35
B-8 Statement of Changes in Fiduciary Net Position	36

Notes to Financial Statements.....	37
------------------------------------	----

Required Supplementary Information - Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule General Fund.....	64
C-2 Budgetary Comparison Schedule Special Revenue Fund.....	67

**PEOPLE’S PREPARATORY CHARTER SCHOOL
 JUNE 30, 2016
 TABLE OF CONTENTS**

Notes to Required Supplementary Information:

C-3 Budget to GAAP Reconciliation..... 69

Required Supplementary Information - Part III

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68):

L-1 Schedule of the Charter School’s Proportionate Share of the Net Pension Liability-PERS..... 70
 L-2 Schedule of Charter School Contributions - PERS..... 71
 L-3 Schedule of the Charter School Proportionate Share of the Net Pension Liability-TPAF 72
 L-4 Notes to Required Supplementary Information Pension Schedules 73

Other Supplementary Information

E. Special Revenue Fund:

E-1 Combining Schedule of Program Revenues and Expenditures,
 Special Revenue Fund - Budgetary Basis 74

G. Proprietary Funds:

Enterprise Fund:

G-1 Combining Statement of Net Position 75
 G-2 Combining Statement of Revenues, Expenses and Changes
 in Fund Net Position 76
 G-3 Combining Statement of Cash Flows 77

Fiduciary Funds:

H-1 Combining Statement of Fiduciary Net Position..... 78
 H-2 Combining Statement of Changes in Fiduciary Net Position..... 79
 H-3 Student Activity Agency Fund Schedule of Receipts
 and Disbursements 80
 H-4 Payroll Agency Fund Schedule of Receipts
 and Disbursements 81
 H-5 Unemployment Compensation Insurance Trust Fund 82

J. Financial Trends:

J-1 Net Position by Component 83
 J-2 Changes in Net Position..... 84
 J-3 Fund Balances – Governmental Funds 86
 J-4 Changes in Fund Balances – Governmental funds 87

J. Revenue Capacity:

J-5 General Fund - Other Local Revenue by Source 88

PEOPLE’S PREPARATORY CHARTER SCHOOL
JUNE 30, 2016
TABLE OF CONTENTS

J-6 Assessed Value and Actual Value of Taxable Property 89
 J-7 Direct and Overlapping Properties..... 90
 J-8 Principal Property Taxpayers..... 91

J. Debt Capacity:

J-9 Property Tax Levies and Collections 92
 J-10 Ratios of Outstanding Debt by Type..... 93
 J-11 Ratios of Net General Bonded Debt Outstanding..... 94
 J-12 Direct and Overlapping Governmental Activities Debt..... 95

J. Demographic and Economic Information:

J-13 Legal Debt Margin Information..... 96
 J-14 Demographic and Economic Statistics 97

J. Operating Information:

J-15 Principal Employers 98
 J-16 Full-time Equivalent School Employees by Function/Program 99
 J-17 Operating Statistics 100
 J-18 School Building Information 101
 J-19 General Fund-Schedule of Required Maintenance 102
 J-20 Insurance Schedule 103

J. Charter School Performance Framework Financial Indicators:

J-21 Near Term Indicators 104
 J-22 Sustainability Indicators..... 105

SINGLE AUDIT SECTION K.

K-1 Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 106
 K-2 Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with The Uniform Guidance and New Jersey OMB Circular letter 15-08..... 108
 K-3 Schedule of Expenditures of Federal Awards, Schedule K-3..... 111
 K-4 Schedule of Expenditures of State Financial Assistance, Schedule K-4..... 112
 K-5 Notes to the Schedule of Awards and Financial Assistance..... 113
 K-6 Schedule of Findings of Noncompliance..... 115
 K-7 Summary Schedule of Prior Audit Findings..... 119

November 1, 2016

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the People’s Preparatory Charter School for the year ended June 30, 2016, 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 requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), “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** The People’s Preparatory Charter School (“PPCS”) 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.

The People's Preparatory Charter School (People's Prep) 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.

People's Prep received final approval for its charter from the state in July 2011, and the school opened its doors to the class of 2019 (named for the year in which People's Prep expects the students to graduate from college) on August 22, 2011. In the fall of 2012-13, People's Prep doubled in size and welcomed the school's second class of students and teachers. In August 2012 through June 2015, People's Prep continued to co-locate with another Newark Public School district high school at 321 Bergen Street, Newark. In 2014-15, People's Prep grew to full capacity with approximately 380 students in grades 9-12. In 2015-16, People's Prep continued at full capacity, enrolled 380 students, and graduated its 2nd cohort of students.

- 2) **ENROLLMENT OUTLOOK:** People's Prep opened the 2015-16 academic year with a roster of 380 students in aggregate in the Classes of 2023, 2022, 2021, and 2020 (grades 9-12). Students continue to come to People's Prep from a wide range of educational backgrounds and from some of the toughest neighborhoods in the area. They represent over 25 middle schools across Newark. In addition, approximately 30% of 9th graders were below a 6th grade reading level at the beginning of the 2015-16 academic year, and almost twice as many incoming 9th graders were at or below that standard in mathematics. Approximately 95% of People's Prep students will be the first in their family to attend college. The following is a demographic snapshot of our student population as per the October enrollment count for 2015-2016.

- 89% Black
- 11% Hispanic
- 91% Receiving free/reduced lunch
- 18% Receiving Special Education services

In 2014-15, People's Prep amended the school's original charter application for a second year to align lottery procedures and enrollment policies to ONE Newark's Universal Enrollment system ("ONE"). As a result, the school did not hold a lottery and students were matched to the school through a universal application for 2015-16. In addition, the system administrator, Newark Public Schools, maintains a waitlist for each grade, which consisted of 100 students for People's Prep as of fall 2015. In order to reach a diverse pool of applicants and to ensure full enrollment, People's Prep held open houses and began collecting paper applications using the enrollment system from the previous school year.

In order to reach Newark's hardest-to-reach students, the school Enrollment Team visited all five wards in Newark, posted applications at local businesses, posted advertisements on local bus shelters across the city, attended community events, visited local schools, and attended high school fairs. The incoming 2015-16 class consisted of a majority of students (90+%) from Newark public district schools, as well as high percentages of students from the South and West Wards (70+%), which are historically educationally disenfranchised with limited quality high school options.

People's Prep anticipates a final enrollment of 380 students in grades 9-12 for the 2016-17 school year.

PEOPLE'S PREP'S UNIQUE PROGRAM

The mission of People's Prep is to prepare students to graduate from the college of their choice as informed, involved and resilient citizens. We believe that all students can achieve at high academic levels, including those who have been pervasively educationally underserved, with a mindset that it takes hard work, effective effort, and support to become more skilled over time. Our educational program is built primarily upon four pillars: College Readiness, Unique Academic Programming, Student Supports, and Training/Retaining Great Teachers.

People's Prep's practices are aligned to the great charter giants who began developing their model years before People's Prep opened, or are currently growing and succeeding in urban centers across the country. People's Prep's model diverges from or builds upon those developed within these outstanding networks. For example, we integrate an ever-expanding volunteer/internship program into our academic program, to root our students more deeply in their community and the assets Newark has to offer.

College Readiness: From their first moments at People's Prep, students are inculcated with the belief that they can and will graduate from college. For example, each class of students is named not by the year they will graduate from high school, but the year they will graduate from college; our founders are referred to as the Class of 2019. This simple change in nomenclature helps students envision their future. We believe that effective college preparation is best achieved by cultivating academic excellence, positive character development, and leadership. As such, our entire educational program -- both inside and outside the classroom -- is centered on college readiness. The Office of College Placement ("OCP") has quickly developed and transformed into the heart of People's Prep. The OCP's programming has four key components: exposure to career and college, standardized testing and preparation, co-curricular programming, and curriculum. In each of these areas, OCP staff actively collaborate with instructors, advisors, and support staff to ensure the school continues on a strong path towards breaking cycles of unequal education, inadequate opportunity, and poverty.

Unique Academic Programming: We believe that regardless of a student's prior educational experience, he or she can achieve academic success and significant character development within four years and graduate ready for success in college. This belief fuels our programmatic decisions, which often require that school time and staffing assignments are configured in innovative ways.

Following best practices, People's Prep believes that a child's zip code, especially those corresponding to high-poverty neighborhoods, does not have to dictate their educational outcomes. In People's Prep first five years, it has achieved many great successes. For examples, People's Prep's: graduation rates outpace the district and have increased from 84% to 90% from 2015 to 2016; average attendance rates are higher compared to the district; student's scores on college access exams outrank all comprehensive district schools, and has

increased the percentage of students reading at a high school level from 41% to 67% in 2015-2016.

Our welcomed challenge: People's Prep's program is designed to address the significant educational deficits that the majority of our students exhibit upon arrival at People's Prep as 9th graders. Data from 2011-2015 reveal the following stark challenges facing our incoming classes:

- Over 50% of our incoming 9th graders test below a 5th grade level for math and English.
- The average composite ACT score for an incoming 9th grader is a 14.
- 95% of our students are first-time college goers.

Focus on literacy: We address deficits related to reading, writing, and usage through double class sessions of English instruction. All students also participate in thirty minutes daily of Independent Reading, which adds an additional 150 minutes of literacy practice each week. From weekly access to the school's library, which boasts over 10,000 titles covering multiple grade levels, genres, and interests, to the public display of every staff member's current favorite books, People's Prep's love of and focus on reading is on display at every turn.

Over the last three years, the instructional team has increasingly incorporated reading and writing into daily classwork and interim assessments across content areas. School Leaders have actively trained teachers to incorporate close reading strategies into every unit plan and assessment. This practice, combined with an increasing focus on text complexity, has further expanded time on tasks related to reading and writing, and has increased rigor and high expectations for both students and teachers.

Addressing numeracy: In math, our goal has consistently been to offer two sessions of instruction daily. We have not yet fulfilled this goal outside of the 9th grade where all students do have double sessions of Algebra I. Efforts to compensate for this void have included experimentation with various workarounds including: introducing computer programming as a STEM elective; adding STEM-specific teaching assistants to the department to tutor small groups of students daily; and partnering with our campus-mate, Bard High School Early College, to offer students advanced math classes in the 12th grade. In 2015-16, People's Prep's students achieved tremendous growth in Algebra 1 and Geometry on the PARCC assessment.

Community Work: Our unique programming extends into our co-curricular offerings. Because we believe in a clear connection between off-campus work experiences and success in college, our goal is to place an increasing number of students in year-long internship and volunteer positions throughout the community. Already in 2015-2016, the program's third year, we placed 50 year-long interns, in grades 10-12, in on- and off-campus internships. Additionally, our Community Programs Coordinator, a member of the Office of College Placement, helps place up to fifty current students and alumni annually in summer opportunities including camps, internships, paid work positions, and enrichment programs.

Diverse Student Supports: We design supports above and beyond standard offerings to cultivate college readiness.

- From the moment students enroll at People's Prep, a clear connection is made between school and home. Newly enrolled students and their families receive a home visit with two staff members. This visit initiates an involved process of getting to know students and families and understanding how each student may need to be supported throughout the four-year path to college.
- With a 6:1 average student-to-staff ratio, students benefit from watchful and caring adults around every corner, and staff have developed a heightened understanding of students' individual challenges. Our Council program, a single-sex advisory program which meets twice daily, is employed to address the diverse array of supports required by students. Councils, which stay together for all four years of high school, are the family units of our school, and are deeply embedded in the school culture.
- All students are also supported by our mental health team. In 2015-2016 People's Prep employed five full-time mental health workers including a combination of school social workers and school psychologists. Additionally, in 2015-2016 People's Prep was proud to bring all of their case management of students with disabilities in-house, which translated to a stronger service model, more deeply rooted in our school's mission.
- Students who desire or need additional academic supports in a more intimate setting are able to take advantage of Office Hours, which are hosted by all teachers and held throughout the week. During Office Hours, teachers are able to remediate and develop student skills not acquired during regular class periods. Additionally, in 2015-2016 we offered evening Office Hours two evenings a month and two Saturdays a month.
- With a rapid increase in our populations of students with disabilities, in 2015-2016 we restructured our approach to interventions. This includes the addition of a Dean of Student Interventions to our Administrative Team. This leader oversees all teaching assistants and aides, special education teachers, and mental health workers. Our Dean has expanded our model to include two self-contained programs, one focused on students with significant behavioral disabilities, and one for students with significant cognitive disabilities.

Train/Retain Great Teachers: Beginning with a highly competitive screening and interview process, teachers and staff at People's Prep learn that we value mission alignment, a commitment to closing the achievement gap, an entrepreneurial spirit, a strong academic record, and a willingness to take feedback and incorporate it quickly into practice. People's Prep's continued approach to recruiting, training, and retaining strong practitioners includes: intensive professional development, varied teacher supports, defined pathways to leadership, and sharing best practices with others.

In addition to four full weeks of summer development for new teachers and staff, teachers also benefit from weekly professional development, weekly coaching sessions, and six additional full days of PD over the course of the year, totaling more than 600 hours of learning annually. Through the Board's tuition reimbursement policy, People's Prep has helped teachers, staff, and administrators earn advanced degrees and certificates.

3) MAJOR ACCOMPLISHMENTS

Highlights from PARCC testing: 2015-2016

- Overall participation in PARCC test increased by approximately 20% from FY15 to FY16
- A larger percentage of students approached and met expectations in 2016 than in 2015
- People's Prep scores on the Algebra I PARCC saw greater increases from 2015 to 2016 than statewide and national scores
- People's Prep scores on the Geometry PARCC saw greater increases from 2015 to 2016 than statewide and national scores

	<u>2016</u>	<u>2015</u>	<u>Change</u>
People's Prep	716	711	+5
State	741	737	+4
Nation	734	734	+0

- People's Prep scores on the Geometry PARCC saw greater increases from 2015 to 2016 than statewide and national scores

	<u>2016</u>	<u>2015</u>	<u>Change</u>
People's Prep	716	708	+8
State	732	729	+3
Nation	732	732	+0

- People's Prep 9th grade ELA scores increased more than statewide and national scores from 2015 to 2016.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
People's Prep	721	710	+11
State	746	738	+8
Nation	738	739	-1

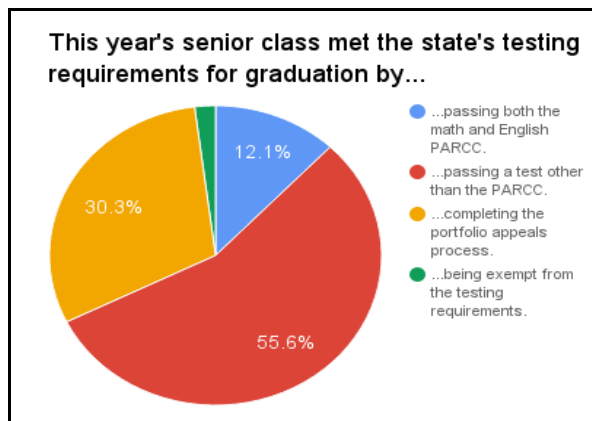
- People's Prep 10th grade ELA scores increased more than state and national scores from 2015 to 2016

	<u>2016</u>	<u>2015</u>	<u>Change</u>
People's Prep	722	693	+29
State	740	733	+7
Nation	737	735	+2

- People's Prep 11th grade ELA scores increased, compared to a slight decrease in statewide and national scores

	<u>2016</u>	<u>2015</u>	<u>Change</u>
People's Prep	740	736	+4
State	737	740	-3
Nation	737	739	-2

- State Testing Requirement for 2015-16



Results for our first and second graduating class

- The number of People's Prep graduate who enrolled in 2 and 4-year college increased by 17% from 2015 to 2016
- 2019 (1st graduating class)
 - 72% enrolled in a 2-year or 4-year colleges
 - 6% enrolled in trade school
 - 22% currently working
- 2020 (2nd graduating class)
 - 85% enrolled in a 2-year or 4-year colleges
 - 2% enrolled in trade school
 - 13% currently working

Student retention and attendance

- In 2015-16, 98% of students enrolled on October 15th completed the academic year. Average daily attendance in FY16 was 91%. Student retention was as follows:
 - Class of 2020 (12th grade): 97%
 - Class of 2021 (11th grade): 99%
 - Class of 2022 (10th grade): 99%
 - Class of 2023 (9th grade): 98%

Community and Family participation and satisfaction

- People's Prep administers parent surveys on an annual basis. The last survey conducted was given twice during the 2015-16 school year. In addition, People's Prep solicits consistent feedback from all parents and families through Council Coaches and through quarterly conferences and parent workshops. Overall, parent satisfaction with the school's education program increased by 3 percentage points to 87% (Satisfaction rate is based on response to the statement: "I am satisfied with the overall educational program.").
- In 2015-16, People's Prep partnered with numerous community organizations including, but not limited to, Camden Elementary/After School All Stars, Newark Youth Court, Schools That Can, and All Stars Projects to conduct various initiatives and events that benefited, students, staff, and the surrounding neighborhood.
- 87.5% our community partners that responded our annual survey, described that they were satisfied or very satisfied with the school's partnership.

- 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 recognized that: (1) the cost of a control should not exceed the benefits like to be derived: and (2) the valuation of costs and benefits requires estimates 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 year ended 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, 2016.

- 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 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 year ended June 30, 2016.

Revenue	Amount	Percent of Total
Local	\$ 344,170	4%
State	7,252,392	87%
Other Local Revenue - General Fund	5,526	1%
Special Revenue - Federal Aid	443,254	5%
Other Local Revenue - Special Revenue	11,109	1%
Enterprise Fund	<u>250,970</u>	<u>2%</u>
Total	<u>\$8,307,421</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the year ended June 30, 2016.

Expenditures	Amount	Percent of Total
Current - General Fund	\$6,726,856	89%
Capital Outlay	28,905	1%
Special Revenue	454,363	6%
Enterprise Fund	<u>288,408</u>	<u>4%</u>
Total	<u>\$7,498,532</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 the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Respectfully submitted,



Jessica A. Rooney
School Leader

PEOPLE’S PREPARATORY CHARTER SCHOOL

**ROSTER OF TRUSTEES
JUNE 30, 2016**

BOARD OF TRUSTEES

TERM EXPIRES

Adam Goldfarb, Board President	6/2018
Cameron Welch, Vice President	6/2017
DeTravius Bethea	6/2017
Mindy Propper	6/2018
Jayne Heffler	6/2018
Christopher Phillips	6/2018
Chibunna Chimezie	8/2016

**CONSULTANTS AND ADVISORS
JUNE 30, 2016**

AUDIT FIRM

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

ATTORNEYS

JOHNSTON LAW FIRM LLC
75 Midland Avenue, Suite 1
Montclair, NJ 07042

OFFICIAL DEPOSITORY

Garden State Community Bank
36 Ferry Street
Newark, NJ 07102

FINANCIAL SECTION

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
12 MERRY LANE
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
People's Preparatory Charter School
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 People's Preparatory Charter School, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the People's Preparatory Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 People's Preparatory Charter School as of June 30, 2016, 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.

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.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information 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 the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *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.

The combining and individual fund financial statement information, and the schedules of expenditures of federal awards and state financial assistance required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, are the responsibility of management and 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 basic 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 November 1, 2016 on my consideration of the People's Preparatory Charter School'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 People's Preparatory Charter School'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 small "CPA" at the end.

Scott J. Loeffler, CPA
November 1, 2016

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

This section of People’s Preparatory Charter School annual financial report presents its discussion and analysis of the Board’s financial performance during the year ended on June 30, 2016. 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 2015-16 year end include the following:

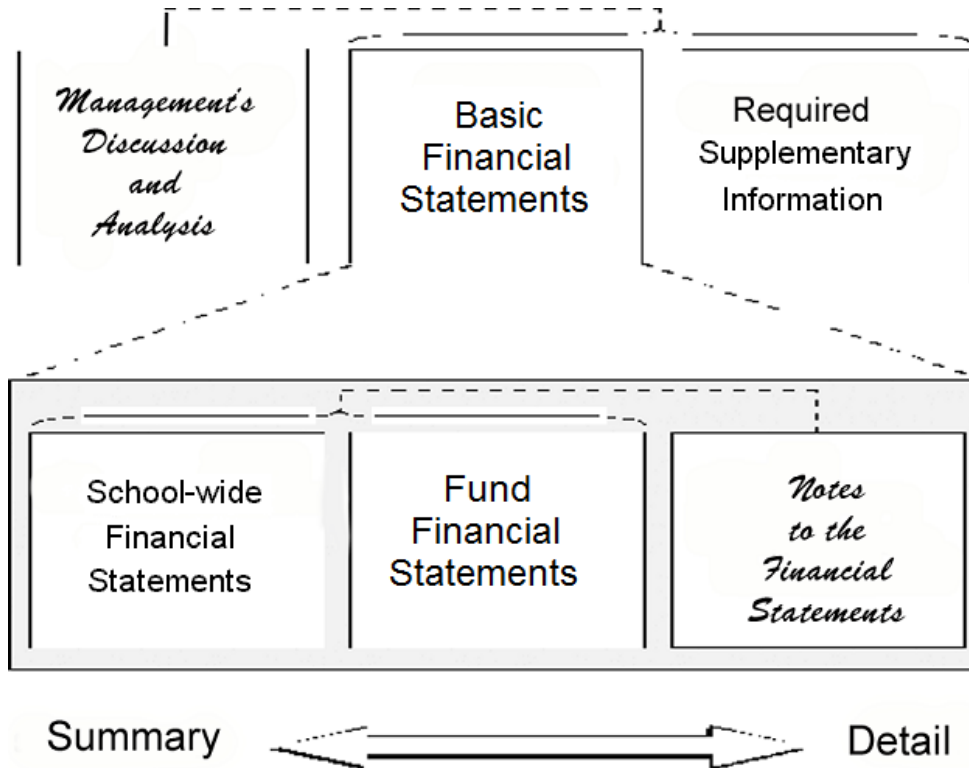
- Total Net Position was \$2,946,199, after pension adjustment of (\$1,338,743).
- The unrestricted General Fund balance at June 30, 2016 is \$2,070,850.
- Total Capital Reserve at June 30,2016 is \$1,300,000

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 People’s Preparatory Charter School.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(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 People's Preparatory Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the People's Preparatory Charter School, reporting the People's Preparatory Charter School'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 People's Preparatory Charter School operates like businesses.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(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 People’s Preparatory Charter School’s financial statements, including the portion of the People’s Preparatory Charter School’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

	School-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the People’s Preparatory Charter School 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 People’s Preparatory Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows 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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

School-wide Statements

The school-wide statements report information about the People’s Preparatory Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the People’s Preparatory Charter School’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 People’s Preparatory Charter School’s net position and how they have changed. Net position – the difference between the People’s Preparatory Charter School’s assets and liabilities – are one way to measure the People’s Preparatory Charter School’s financial health or position.

In the school-wide financial statements, the People’s Preparatory Charter School’s activities are shown in two categories:

- *Governmental activities*- Most of the People’s Preparatory Charter School’s basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The People’s Preparatory Charter School's Food Service Fund and the after school program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the People’s Preparatory Charter School’s funds – focusing on its most significant or “major” funds – not the People’s Preparatory Charter School as a whole.

Funds are accounting devices the People’s Preparatory Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

The People’s Preparatory Charter School use 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 People’s Preparatory Charter School has three kinds of funds:

- **Governmental funds**- Most of the People’s Preparatory Charter School’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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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 People’s Preparatory Charter School’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 People’s Preparatory Charter School 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 People’s Preparatory Charter School 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 People’s Preparatory Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the People’s Preparatory Charter School’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 People’s Preparatory Charter School’s government-wide financial statements because the People’s Preparatory Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE PEOPLE’S PREPARATORY CHARTER SCHOOL AS A WHOLE

Net position. The People’s Preparatory Charter School’s net position is \$2,946,199 as of June 30, 2016. (See Table A-1).

Governmental	<u>\$2,946,199</u>
--------------	--------------------

The Statement of Net Position of \$914,062 reflects total capital assets at net of assumed depreciation from inception.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The People's Preparatory Charter School's financial position is the product of these factors:

- Special Revenues and Expenditures for Governmental and Private Activities were \$405,221.
- General Fund Revenues were \$7,426,860.
- General Fund Expenditures were \$6,952,413.

Table A-1
PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	<u>Total</u>
Current and Other Assets	\$3,547,107
Pension Deferred Outflows	1,612,240
Capital Assets (Including Business Activities)	914,092
Total Assets	<u>\$6,073,439</u>
Liabilities -Current	176,257
Net Pension Liability	2,915,681
Pension Deferred Inflows	35,302
Total Liabilities	<u>3,127,240</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	914,092
Capital Reserve	1,300,000
Unrestricted	732,107
Total Net Position	<u>\$2,946,199</u>
Fund Balance 06/30/16	\$2,561,761
Invested In Capital Assets, Net of Related Debt	914,092
Net Position before Pension Adjustment	<u>3,475,853</u>
Less: Pension Adjustment (Note 16)	<u>(529,654)</u>
Net Position	<u>\$2,946,199</u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$2,946,199 as of June 30, 2016.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table A-2
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2016

Revenues	Total	%
Program revenues		
Charges for services	\$ -	
Operating grants and contributions		
General revenues		
Local Share	344,170	4%
State Aid-Unrestricted	7,252,392	87%
Federal Aid	454,363	5%
Other	5,526	1%
Enterprise Fund	250,970	3%
Total revenues	\$ 8,307,421	100%
Expenses		
Regular Instruction	3,390,106	45%
General Administrative	1,840,670	24%
School Administrative	1,452,052	19%
On-behalf TPAF Social Security	498,391	6%
Capital Outlay	28,905	1%
Enterprise Fund	288,408	5%
Total expenses	\$ 7,498,532	100%
Increase in net assets	808,889	
Net Position, Beginning July 1, 2015	3,278,817	
Decrease in Capital Outlay	(132,840)	
Net Position, Before Pension Adjustment	\$ 3,954,866	
Less Pension Adjustment Net (Note 16)	(1,008,667)	
Net Position	\$ 2,946,199	

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table A-3 (See Exhibit A-2)
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2016

<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	\$ 3,390,106	\$ 3,390,106
Support Services			
General Administrative Services	B-2	1,840,670	1,840,670
School Administrative Services	B-2	1,452,052	1,452,052
On-behalf TPAF Social Security	B-2	498,391	498,391
Capital Outlay	B-2	28,905	28,905
Enterprise Fund	G-2	288,408	288,408
Total Governmental Activities		\$ 7,498,532	\$ 7,498,532

FINANCIAL ANALYSIS OF THE PEOPLE'S PREPARATORY CHARTER SCHOOL FUNDS

The financial performance of the People's Preparatory Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the People's Preparatory Charter School completed the year, its general funds reported a combined fund balance of \$2,070,850.

Revenues for the People's Preparatory Charter School's governmental funds were \$8,307,421 while total expenses were \$7,498,532. (Table A-4) (Exhibit B-2 and G-2)

GENERAL FUND

The General Fund includes the primary operations of the People's Preparatory Charter School in providing educational services to students in grades 9 through 11.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The following schedule presents a summary of Government Revenues.

Table A-4 (See Exhibit B-2)
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Governmental Revenues - School Wide
For the Fiscal Years Ended June 30

General Fund Revenues	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase (Decrease)
Local Sources:			
Local Share	\$ 344,170	\$ 919,294	\$ (575,124)
Other Local Revenue	80,787	61,359	19,428
Total Local Sources	\$ 424,957	\$ 980,653	\$ (555,696)
Intergovernmental			
State Sources	7,254,435	6,478,746	775,689
Federal Sources	628,029	613,650	14,379
Total Intergovernmental Sources	\$ 7,882,464	\$ 7,092,396	\$ 790,068
Total Revenue	\$ 8,307,421	\$ 8,073,049	\$ 234,372

The following schedule presents a summary of Governmental expenditures.

Table A-5 (See Exhibit B-2 and G-2)
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Governmental Expenditures - School Wide
For the Fiscal Years Ended June 30

General Fund Expenditures	Year Ended 06/30/2016	Year Ended 06/30/2015	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 3,390,106	\$ 3,614,663	\$ (224,557)
General Administrative Services	1,840,670	1,746,336	94,334
School Administration	1,452,052	1,044,842	407,210
On-behalf TPAF Social Security	498,391	381,658	116,733
Capital outlay	28,905	570,135	(541,230)
Food Service	288,408	246,096	42,312
Total Expenditures	\$ 7,498,532	\$ 7,603,730	\$ (105,198)

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

Table A-6
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Unreserved-Undesignated Fund Balance - School Wide
For the Fiscal Years Ended June 30

General Fund	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unreserved-Undesignated					
Fund Balance	2,070,850	1,261,961	749,876	355,694	281,349
Expenditures	7,498,552	7,603,730	5,796,161	3,935,650	2,211,345
Percentage	27%	17%	13%	9%	15%

The People's Preparatory Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designated to support the subsequent years budgets \$2,070,850 for the 2016-17 school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, in the General Fund, the People's Preparatory Charter School had invested \$1,325,398 in a broad range of capital assets, including building 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) and Total General Fund depreciation expense for the year was \$116,754.

Table A-7
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Net Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2016

Equipment	\$1,325,398
Total - General Fund	<u>\$1,325,398</u>
Less: Accumulated Depreciation	(411,306)
Total - Net Capital Assets General Fund	<u><u>\$914,092</u></u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the People's Preparatory Charter School was aware of these existing circumstances that could significantly affect its financial health in the future:

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

CONTACTING THE PEOPLE'S PREPARATORY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the People's Preparatory Charter School's finances and to demonstrate the People's Preparatory Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, People's Preparatory Charter School, 321 Bergen Street, Newark, New Jersey 07103.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the People's Preparatory Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2016.

SCHOOL-WIDE FINANCIAL STATEMENTS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,927,462	\$ -	\$ 2,927,462
Investments			
Receivables, net	591,045	28,600	619,645
Security Deposit	-		-
Deferred outflows of resources			
Pension deferred outflows	1,612,240		1,612,240
Capital assets, net (Note 4):	914,092	-	914,092
Total assets and deferred outflows	<u>6,044,839</u>	<u>28,600</u>	<u>6,073,439</u>
LIABILITIES			
Accounts payable	30,461	28,600	59,061
Deposits payable	-		
Payable to school districts	63,518		63,518
Payable to federal government	-		
Payable to state government			
Deferred revenue	53,678		53,678
Net pension liability	2,915,681		2,915,681
Deferred inflows of pensions	35,302		35,302
Total liabilities and deferred inflows	<u>3,098,640</u>	<u>28,600</u>	<u>3,127,240</u>
NET POSITION			
Invested in capital assets, net of related debt	914,092	-	914,092
Restricted for:			
Debt service			
Capital reserve	1,300,000		1,300,000
Unrestricted	732,107	0	732,107
Total net position	<u>\$ 2,946,199</u>	<u>\$ -</u>	<u>\$ 2,946,199</u>

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2016

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	\$ (3,390,106)		\$ (454,363)		\$ (2,935,743)		\$ (2,935,743)
Support services:							
General administration	(1,840,670)		-		\$ (1,840,670)		\$ (1,840,670)
School administrative services/ operations plant serv.	(1,452,052)				(1,452,052)		(1,452,052)
On - behalf TPAF Social Security	(498,391)				(498,391)		(498,391)
Capital Outlay	(28,905)				(28,905)		(28,905)
Total governmental activities	<u>(7,210,124)</u>		<u>(454,363)</u>		<u>(6,755,761)</u>		<u>(6,755,761)</u>
Business-type activities:							
Food Service and After School Program		(288,408)				(288,408)	(288,408)
Total business-type activities		<u>(288,408)</u>				<u>(288,408)</u>	<u>(288,408)</u>
Total primary government	<u>(\$7,210,124)</u>	<u>\$ (288,408)</u>	<u>\$ (454,363)</u>		<u>\$ (6,755,761)</u>	<u>\$ (288,408)</u>	<u>\$ (7,044,169)</u>
General revenues:							
					344,170		344,170
					6,166,940	2,043	6,168,983
					1,085,452	173,666	1,259,118
						75,261	75,261
					5,526	-	5,526
					(132,840)		(132,840)
Total general revenues, special items, extraordinary					<u>7,469,248</u>	<u>250,970</u>	<u>7,720,218</u>
Change in Net Position					713,487	(37,438)	676,049
Net Position - beginning					3,570,955	37,438	3,608,393
Net Position - ending					<u>\$ 4,284,442</u>	<u>\$ -</u>	<u>\$ 4,284,442</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,873,784	\$ 53,678			\$ 2,927,462
Investments					
Receivables, net	591,045	-			591,045
Receivable interfund	-			-	-
Security Deposit	-				-
Restricted cash and cash equivalents					
Total assets	<u>\$ 3,464,829</u>	<u>\$ 53,678</u>	<u>\$ -</u>		<u>\$ 3,518,507</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	30,461	-	-		30,461
Payable to federal government		-			0
Payable to School Districts	63,518				63,518
Payable to state government	-				0
Deferred revenue		53,678			53,678
Total liabilities	<u>93,979</u>	<u>53,678</u>	<u>-</u>		<u>147,657</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve	1,300,000				1,300,000
Excess surplus	-				
Excess surplus -- designated for Subsequent year's expenditures					
Reserve for NCLB Repayment	-				0
Unreserved, reported in:					
General fund	2,070,850		-		2,070,850
Capital projects fund					
Permanent fund					
Total Fund balances	<u>3,370,850</u>		<u>-</u>		<u>3,370,850</u>
Total liabilities and fund balances	<u>\$ 3,464,829</u>	<u>\$ 53,678</u>	<u>\$ -</u>		

Amounts reported for *governmental activities* in the statement of net assets (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 \$1,325,398 and the accumulated depreciation (411,306)

914,092

Net position before pension adjustments

4,284,942

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 6)

1,612,240

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 6)

(35,302)

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 6)

(2,915,681)

Net position of governmental activities

\$ 2,946,199

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Share	\$ 344,170				\$ 344,170
State Share	6,166,940				6,166,940
Other Restricted Miscellaneous Revenues					
Miscellaneous	5,526	11,109			16,635
Total - Local Sources	<u>6,516,636</u>	<u>11,109</u>			<u>6,527,745</u>
State Sources	1,085,452	-			1,085,452
Federal Sources		443,254			443,254
Total Revenues	<u>7,602,088</u>	<u>454,363</u>			<u>8,056,451</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 2,935,743	\$ 454,363			\$ 3,390,106
Support services- General Administrative	1,840,670	-			1,840,670
Support Services- School Admin/ operations plant se	1,452,052				1,452,052
On-behalf TPAF Social Security	498,391				498,391
Capital outlay	28,905				28,905
Total expenditures	<u>6,755,761</u>	<u>454,363</u>			<u>7,210,124</u>
Excess (Deficiency) of revenues over expenditures	<u>846,327</u>				<u>846,327</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-				-
Transfers out	-				-
Total other financing sources and uses	<u>* -</u>				<u>-</u>
Net change in fund balances	846,327				846,327
Fund balance - July 1, 2015	1,224,523				1,224,523
Fund balance - June 30, 2016	<u>\$ 2,070,850</u>				<u>\$ 2,070,850</u>

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

**PEOPLE'S PREPARATORY CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2016**

	GENERAL FUND	ENTERPRISE FUND	TOTAL
Total net change in fund balances - governmental funds (from B-2)	\$ 846,327	(37,438)	\$ 808,889
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>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.</p>			
Depreciation expense	\$ (132,540)		
Capital outlays	-		
	\$ (132,540)	0	(132,540)
 Change in net assets of governmental activities	\$ 713,787	\$ (37,438)	\$ 676,349

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

PROPRIETARY FUNDS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Net Assets
Proprietary Funds
As of June 30, 2016

	<u>Business-type Activities Enterprise funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Investments	
Accounts receivable	28,271
Other receivables	329
Inventories	
Total current assets	28,600
Noncurrent assets:	
Restricted cash and cash equivalents	
Furniture, machinery & equipment	
Less accumulated depreciation	
Total noncurrent assets	-
Total assets	-
LIABILITIES	
Current liabilities:	
Cash overdraft	-
Accounts payable	28,600
Total current liabilities	28,600
Total liabilities	17,671
NET ASSETS	
Invested in capital assets net of related debt	
Restricted for:	
Capital projects	
Unrestricted	-
Total net assets	\$ -

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$ -
Total operating revenues	-
Operating expenses:	
Cost of sales	(41,934)
Salaries and Benefits	(246,474)
Supplies, Materials and Other Expenses	-
Total Operating Expenses	(288,408)
Operating income (loss)	(288,408)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	2,043
Federal sources:	
National school breakfast program	37,988
National School Snack Program	29,828
National school lunch program	105,850
Board Subsidy	75,261
Total nonoperating revenues (expenses)	250,970
Income (loss) before contributions & transfers	(37,438)
Capital contributions	-
Transfers in (out)	
Change in net assets	(37,438)
Total net position - beginning	37,438
Total net position - ending	\$ -

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

Exhibit B-6

**Business-type
Activities
Enterprise Funds**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Participants	
Payments to employees and benefits	
Payments to suppliers	<u>(277,478)</u>
Net cash provided by (used for) operating activities	<u>(277,478)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State and Federal Sources	245,222
Operating subsidies and transfers to other funds	
Net cash provided by (used for) non-capital financing activities	<u>245,222</u>

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	<u>(32,256)</u>
Cash Balances—beginning of year	<u>32,256</u>
Cash Balances—end of year	<u>\$ -</u>

**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	(5,748)
(Increase) decrease in inventories	
(Increase) decrease in USDA Commonities	
Increase (decrease) in accounts payable	10,930
Increase (decrease) in accrued compensated absences	
Total adjustments	<u>5,182</u>
Net cash provided by (used for) operating activities	<u>\$ (32,256)</u>

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

FIDUCIARY FUNDS

Exhibit B-7

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2016**

NOT APPLICABLE

Exhibit B-8

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

People’s Preparatory Charter School (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 school leader 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 People’s Preparatory Charter School 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 People’s Preparatory Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of People’s Preparatory Charter School 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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 People’s Preparatory Charter School (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 District is not includable in any other reporting entity on the basis of such criteria.

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.

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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 there was no Capital Projects Fund.

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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or 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.

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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 Assets</u>	<u>Estimated Lives (Years)</u>
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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016.

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.

K Deferred Revenue

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

There is no deferred revenue in the general fund.

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

PAAJE Grant	\$23,782
NCLB	<u>29,896</u>
Total:	<u>\$53,678</u>

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:

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.
3. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
4. 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.
5. 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.
6. 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.

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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O Net Position

A deferred outflow of resources is a consumption of net position by the People's Preparatory Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the People's Preparatory Charter School that is applicable to a future reporting period. The People's Preparatory Charter School did not have any deferred inflows or outflows of resources at June 30, 2016.

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.

P New Accounting Standards

During the prior fiscal year 2015, the Charter School adopted the following GASB statements:

GASB 68, Accounting and Financial Reporting for Pensions The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3 DEPOSITS AND INVESTMENTS

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected funds on deposit.

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

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. As of June 30, 2016, the Charter School’s carrying amount of deposits and investments are as follows:

	General Fund	Special Revenue	Enterprise Funds	Total
Operating A/C	\$2,873,784	\$53,670	\$0	\$2,927,462

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2016, the Charter School’s bank balance was \$2,927,462.

Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2016 were secured by federal deposit insurance and \$2,677,462 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:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3 DEPOSITS AND INVESTMENTS (continued)

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.

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, 2016, 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, 2016:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

4 CAPITAL ASSETS (continued)

	Beginning Balance July 1, 2015	Net Additions (Deletions)	Ending Balance June 30, 2016
Governmental Activities			
Capital assets, being depreciated:			
Equipment	\$1,325,398	\$0	\$1,325,398
Total capital assets being depreciated	\$1,325,398	\$0	\$1,325,398
Less accumulated depreciation for:			
Equipment	\$278,766	\$132,540	\$411,306
Total accumulated depreciation	\$278,766	\$132,540	\$411,306
Total capital assets net	\$1,046,632	(\$132,540)	\$914,092

5. RENTAL EXPENSE

The school leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2016 amounted to \$233,508. Renewal options are being currently considered.

6 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/annrpts.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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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

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 measured on June 30, 2015 was \$8,768,502 and \$3,650,530 as measured on June 30, 2014.

For the year ended June 30, 2016, the Charter School recognized pension expense of \$535,396 and revenue of \$535,396 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, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. 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, 2014 and June 30, 2015.

In accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the People's Preparatory Charter School is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the People's Preparatory Charter School. Accordingly, the People's Preparatory Charter School proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the People's Preparatory Charter School for TPAF. Therefore; in addition, the People's Preparatory Charter School does not recognize any portion of the TPAF.

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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.00683%	.013873%

Actuarial assumptions - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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, 2014 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:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreing-Developed Equity	12.00%	6.22%
Emerging Market Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount rate - The discount rate used to measure the State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, 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 3.8% and 4.29% as of June 30, 2015 and 2014, 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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 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, 2016, the Charter School a liability of \$2,915,681 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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, 2015 and 2014. At June 30, 2015, the Charter School's proportion was .009781%, which was an increase of .004495% from its proportion measured as of June 30, 2014.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

For the year ended June 30, 2016, the Charter School recognized pension expense of \$84,092. At June 30, 2016, 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	\$235,799	\$---
Net difference between projected and actual earnings on pension plan investments	52,381	35,302
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	1,239,968	
Charter School contributions subsequent to the measurement date.	84,092	---
Total	\$1,612,240	\$35,302

\$84,092 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, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. 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:
2016	84,254
2017	84,254
2018	84,254
2019	126,474
2020	52,239
Thereafter	---
Total:	\$431,475

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

	6/30/14	6/30/15
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	\$1,479,224,662	\$993,410,455
Collective net pension liability (Non State- Local Group)	\$18,722,735,003	\$22,447,996,119
Charter schools proportion of net pension liability	989,729	2,195,681
Charter School proportion percentage	.005286%	.009781%

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases:	
2012-2012	2.12%-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, 2014 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, 2015 are summarized in the following table:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
US Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount rate. The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, 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 3.8% and 4.29% as of June 30, 2015 and 2014, 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, 2015 and 2014, calculated using the discount rate of 4.9% and 5.39%, 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:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

	1% Decrease (3.9%)	Current Discount Rate (4.9%)	1% Increase (5.9%)
Charter School's proportionate share of the net pension liability	2,643,599	2,195,681	1,747,762

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, 2015. 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. 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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 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 $\frac{1}{4}$ of 1% for each month that the member is under age 65. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. 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. 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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 **PENSION PLANS (continued)**

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$194,072 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 \$187,586 during the year ended June 30, 2016, 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.

7 **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, 2015, there were 107,314 retirees receiving post-retirement medical benefits and the State contributed \$1.25 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2014.

8 **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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

8 **COMPENSATED ABSENCES (continued)**

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, 2016, Charter School-wide compensated absences amounted to \$-0-.

9 **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.

10 **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.

11 **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, 2016, 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.

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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

12 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.

13 RECEIVABLES

Receivables as of June 30, 2016 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>\$591,045</u>	<u>\$ ---</u>	<u>\$28,600</u>	<u>\$619,645</u>
Gross Receivables	<u>\$591,045</u>	<u>\$ ---</u>	<u>\$28,600</u>	<u>\$619,645</u>

14. CAPITAL RESERVE

The school established a \$1,300,000 Capital Reserve of its unrestricted fund balance in anticipation of the cost of acquiring renovating and moving their school to a new facility to accommodate the expansion of their student base at June 30, 2016. Effective for the year ended June 30, 2017 an additional amount of \$750,000 was added to the capital reserve.

15. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring in the Independent Auditors Report of November 1, 2016, 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.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

16. 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	\$3,370,850
Cost of capital assets net accumulated depreciation	914,092
Pension deferred outflows	1,612,240
Pension deferred inflows	(35,302)
Deferred pension liability as of June 30, 2016	(2,915,681)
Net position (per A-1) as of June 30, 2016	<u>\$2,946,199</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016
(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:					
Local Share	\$ 703,307	\$ 22,198	\$ 725,505	\$ 344,170	\$ 381,335
State Share	5,884,182	152,329	6,036,511	6,166,940	(130,429)
Other Restricted Miscellaneous Revenues		\$ -	0		
Miscellaneous	-	-	0	5,526	(5,526)
Total - Local Sources	<u>6,587,489</u>	<u>174,527</u>	<u>6,762,016</u>	<u>6,516,636</u>	<u>245,380</u>
Special Education	-	47,414	47,414	267,697	(220,283)
Security Aid	-	(3,938)	(3,938)	215,684	(219,622)
Non-Public Aid	-	42,556	42,556	103,680	(61,124)
Targeted At- Risk Aid	-	-	-	-	-
Bilingual Education	-	-	-	-	-
Demonstrably Effective	-	-	-	-	-
TPAF Medical (On-Behalf - Non-Budgeted)				141,198	(141,198)
TPAF Pension (On-Behalf - Non-Budgeted)	-		-	168,128	(168,128)
TPAF Social Security (Reimbursed - Non-Budgeted)				189,065	(189,065)
Total State Sources	<u>-</u>	<u>86,032</u>	<u>86,032</u>	<u>1,085,452</u>	<u>(999,420)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>6,587,489</u>	<u>260,559</u>	<u>6,848,048</u>	<u>7,602,088</u>	<u>(754,040)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	2,307,037	(22,933)	2,284,104	2,284,104	\$ -
Other Salaries	512,261	(173,241)	339,020	287,059	51,961
Prof/Tech Services	36,305	41,938	78,243	49,470	28,773
Other Purchased Services (400-500 series)	91,233	53,980	145,213	88,891	56,322
General Supplies	136,260	91,820	228,080	159,808	68,272
Textbooks	33,100	(4,900)	28,200	13,819	14,381
Other Objects	78,000	-	78,000	52,592	25,408
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,194,196</u>	<u>(13,336)</u>	<u>3,180,860</u>	<u>2,935,743</u>	<u>245,117</u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	1,010,060	(67,863)	942,197	904,847	37,350
Salaries of Secretarial and Clerical Assistants	-	-	-	-	-
Purch Prof/ Tech Svc	31,984	5,381	37,365	30,714	6,651
Cost of Benefits	690,535	(52,491)	638,044	546,775	91,269
Consultants	112,328	24,583	136,911	130,066	6,845
Other Purchased Services (400-500 series)	66,394	83,129	149,523	136,954	12,569
Communications/Telephone	12,230	21,201	33,431	32,071	1,360
Supplies and Materials	63,500	(7,262)	56,238	55,960	278
Other Objects	1,000	2,905	3,905	3,283	622
	<u>1,988,031</u>	<u>9,583</u>	<u>1,997,614</u>	<u>1,840,670</u>	<u>156,944</u>
Support Services - School Admin/Operation Plant Services					
Salaries	634,851	229,891	864,742	774,927	89,815
Purchased Professional and Technical Services	52,335	(20,000)	32,335	20,419	11,916
Other Purchased Services	303,583	(87,236)	216,347	215,922	425
Rental of Land and Building- other than Lease Purchase Agreements	233,233	10,529	243,762	233,508	10,254
Insurance	110,435	(976)	109,459	98,749	10,710
General Supplies	15,500	8,740	24,240	18,079	6,161
Transportation- Trips	-	2,371	2,371	2,371	-
Energy (Energy and Electricity)	-	-	-	-	-
Other Objects	-	31,762	31,762	12,834	18,928
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,349,937</u>	<u>175,081</u>	<u>1,525,018</u>	<u>1,376,809</u>	<u>148,209</u>
Food Service and After Care Program					
Other Purchased Services		89,231	89,231	75,243	
Total Food Services	<u>-</u>	<u>89,231</u>	<u>89,231</u>	<u>75,243</u>	<u>-</u>
On-behalf TPAF Medical Contributions (non-budgeted)				141,198	(119,068)
On-behalf TPAF pension Contributions (non-budgeted)				168,128	(75,004)
Reimbursed TPAF Social Security Contributions (non-budgeted)				189,065	(187,586)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>498,391</u>	<u>(381,658)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>3,337,968</u>	<u>273,895</u>	<u>3,611,863</u>	<u>3,791,113</u>	<u>124,898</u>
TOTAL GENERAL CURRENT EXPENSE	<u>6,532,164</u>	<u>260,559</u>	<u>6,792,723</u>	<u>6,726,856</u>	<u>370,015</u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	43,325	(1,587)	41,738	15,318	26,420
Non-Instructional Equipment	12,000	1,587	13,587	13,587	-
Building Improvements	-	-	-	-	-
Total Equipment	<u>55,325</u>	<u>-</u>	<u>55,325</u>	<u>28,905</u>	<u>26,420</u>
TOTAL EXPENDITURES- GENERAL FUND	6,587,489	260,559	6,848,048	6,755,761	396,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	--	--	846,327	(1,150,475)
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)	-	-	-	846,327	(1,150,475)
Fund Balance, July 1, 2015	-	-	1,224,523	1,224,523	-
Fund Balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,224,523</u>	<u>\$ 2,070,850</u>	<u>\$ (1,150,475)</u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 11,109		\$ 11,109	\$ 11,109	
State Sources	-		-	-	
Federal Sources	443,254		443,254	443,254	
Total Revenues	<u>454,363</u>		<u>454,363</u>	<u>454,363</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	38,338		38,338	38,338	
Other Salaries for Instruction					
Purchased Professional -Educational Services					
Purchased Professional and Technical Services	6,851		6,851	6,851	
Transportation	-		-	-	
Other Purchased Services (400-500 series)	-		-	-	
Subsidy for Lunch Program	-		-	-	
General Supplies	11,109		11,109	11,109	
Personal Services- Employee Benefits	53,015		53,015	53,015	
College Readiness	-		-	-	
Textbooks	-		-	-	
Equipment-Instructional	-		-	-	
Total Instruction	<u>109,313</u>		<u>109,313</u>	<u>109,313</u>	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants	-		-	-	
Training	-		-	-	
Personal Services - Employee Benefits	-		-	-	
Recruitment	-		-	-	
Training	-		-	-	
Supplies	-		-	-	
Field Trips					
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
Total Support Services	<u>-</u>		<u>-</u>	<u>-</u>	

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(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					
Transfer to Charter School					
Total Expenditures	109,313		109,313	109,313	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2016
(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

**PEOPLE'S PREPARATORY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)	0.001295%	0.005286%	0.001295%
Charter School Proportionate share of the net pension liability (asset)	2,195,681	989,729	247,410
Charter School Covered employee payroll	\$1,192,055.0	\$540,315	
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	184%	183%	
Plan fiduciary net position as a percentage of the total pension liability	54.2%	55%	

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

**PEOPLE'S PREPARATORY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$84,092	\$29,014	\$0
Contributions in relation to the contractually required contribution	<u>(84,092)</u>	<u>(29,014)</u>	<u>0</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Charter School Covered employee payroll	2,195,681	540,315	N/A
Contributions as a percentage of covered employee payroll	3.83%	5.37%	N/A

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

**PEOPLE'S PREPARATORY 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>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)**	0%	0%	0%
Charter School Proportionate share of the net pension liability (asset)**	0	0	0
State's proportionate share of the net pension liability (asset) associated with the Charter School	<u>8,768,502</u>	<u>3,650,530</u>	<u>0</u>
Total	<u>8,768,502</u>	<u>3,650,530</u>	<u>0</u>
Charter School Covered employee payroll	2,167,980	1,705,982	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	0%	N/A
Plan fiduciary net position as a percentage of the total pension liability	24.7%	46.7%	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.

**PEOPLE'S PREPARATORY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	TOTAL	IDEA PART B-Basic TITLE VI	NCLB TITLE I	NCLB TITLE II	Private Grants
REVENUES					
Intergovernmental					
State					
Federal	\$443,254	\$78,710	\$359,543	\$5,001	
Other Sources					
Miscellaneous	11,109				11,109
Total Revenues	<u>454,363</u>	<u>78,710</u>	<u>359,543</u>	<u>5,001</u>	<u>11,109</u>
EXPENDITURES					
Instruction					
Salaries	383,388	61,000	322,388	0	
Transportation	0				
Other Purchased Services	0				
Purchased Prof. and Tech.and Edu Services	6,851	1,850	0	5,001	
General Supplies	11,109				11,109
Textbooks	0				
Personal Services - Employee Benefits	53,015	15,860	37,155	0	
Subsidy for Lunch program	0				
Equipment - Instructional	0				
Total Instruction	<u>454,363</u>	<u>78,710</u>	<u>359,543</u>	<u>5,001</u>	<u>11,109</u>
Support Services					
Salaries of Supervisors of Instruction	0				
Salaries of Program Directors	0				
Salaries of Other Prof. Staff	0				
Salaries of Secretarial and Clerical Ass't	0				
Supplies	0				
Recruitment	0				
Training	0				
Communication	0				
Purchased Professional/Educational Service:	0				
Class- room Improvements	0				
Building Improvements					
Non instructional Equipment					
Total Support Services	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>\$454,363</u>	<u>\$78,710</u>	<u>\$359,543</u>	<u>\$5,001</u>	<u>\$11,109</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

PEOPLE'S PREPARATORY CHARTER SCHOOL
 Statement of Net Assets
 As of June 30, 2016

	Business-Type Activities
	Enterprise Fund
ASSETS	
Current Assets	
Cash	\$0
Intergovernmental Receivable	
Federal	28,271
State	329
Accounts Receivable	
Total Current Assets	<u>28,600</u>
Total Assets	<u><u>\$28,600</u></u>
LIABILITIES	
Cash Over Draft	0
Accounts Payable	28,600
Total Current Liabilities	<u>\$28,600</u>
Net Assets	
Unrestricted	0
Invested in capital assets net of related debt	0
Total Net Assets	<u><u>\$0</u></u>

Exhibit G-2

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year June 30, 2016

	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	\$0
After School Revenue	
Self Pay Revenue	
Total Operating Revenues	0
OPERATING EXPENSES	
Salaries, wages and employee benefits	(41,934)
Supplies, Materials & Other	(246,474)
Professional Services	
Total Operating Expenses	(288,408)
Income (Loss) From Operations	(288,408)
Nonoperating Revenues	
State Sources	
State Sources	2,043
Federal Sources	
School Breakfast Program	37,988
National School Lunch Program	105,850
National School Snack Program	29,828
Board Subsidy	75,261
Total Nonoperating Revenues	250,970
Net Income (Loss)	(37,438)
Total Net Assets- Beginning of Year	37,438
Total Net Assets- End of Year	\$0

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities	
Cash Received from Customers	0
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(\$277,478)
Net Cash (Used) by Operating Activities	<u>(277,478)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	245,222
Net Cash Provided by Noncapital Financing Activities	<u>245,222</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(32,256)
Cash and Cash Equivalents, Beginning of Year	32,256
Cash and Cash Equivalents, End of Year	<u>\$0</u>
 Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities	
Operating (Loss)	(\$37,438)
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	(5,748)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	10,930
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>5,182</u>
Net Cash Used by Operating Activities	<u><u>(\$32,256)</u></u>

FIDUCIARY FUNDS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Agency Fund Net Position
As of June 30, 2016

	<u>Payroll</u> <u>Account</u>	<u>Summer</u> <u>Pay</u>	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
ASSETS				
Cash	\$100	\$86,675	\$316,435	\$403,210
Total Assets	<u>\$100</u>	<u>\$86,675</u>	<u>\$316,435</u>	<u>\$403,210</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Intergovernmental Payable - State				
Payroll Deductions and Withholdings	100	86,675	316,435	403,210
Total Liabilities	<u>100</u>	<u>86,675</u>	<u>316,435</u>	<u>403,210</u>
Total Net Position Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Net Position	<u>\$100</u>	<u>\$86,675</u>	<u>\$316,435</u>	<u>\$403,210</u>

Exhibit H-2

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2016**

NOT APPLICABLE

Exhibit H-3

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016**

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Cash and Cash Equivalents		\$5,245,406	\$5,245,406	
Total Liabilities		5,245,406	5,245,406	
LIABILITIES				
Payroll Deductions and Withholdings		3,085,255	3,085,255	
Accrued Salaries and Wages		2,160,151	2,160,151	
Total Liabilities		\$5,245,406	\$5,245,406	

Exhibit H-5

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016**

NOT APPLICABLE

FINANCIAL TRENDS

PEOPLE'S PREPARATORY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 914,092	\$ 1,046,632	\$ 847,651	\$ 582,967	\$ 431,154
Capital reserve	1,300,000	1,300,000	1,050,000	650,000	
Unrestricted	732,107	1,224,323	749,876	355,694	281,349
Total governmental activities net position	<u>\$ 2,946,199</u>	<u>\$ 3,570,955</u>	<u>\$ 2,647,527</u>	<u>\$ 1,588,661</u>	<u>\$ 712,503</u>
Business-type activities					
Invested in capital assets, net of related debt					
Restricted					-
Unrestricted					\$ -
Total business-type activities net position					
School-wide					
Invested in capital assets, net of related debt	914,092	1,046,632	847,651	582,967	431,154
Capital reserve	1,300,000	1,300,000	1,050,000	650,000	-
Unrestricted	732,107	1,224,323	749,876	355,694	281,349
Total school net position	<u>\$ 2,946,199</u>	<u>\$ 3,570,955</u>	<u>\$ 2,647,527</u>	<u>\$ 1,588,661</u>	<u>\$ 712,503</u>

Source: School Financial Statements

PEOPLE'S PREPARATORY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses					
Governmental activities					
Instruction					
Regular	\$3,390,106	\$3,614,663	\$2,572,381	\$1,653,239	\$1,189,049
Support Services:					
General administration	1,840,670	1,746,336	1,337,641	896,209	442,019
School Administrative Services	1,452,052	1,044,842	762,436	391,524	226,819
On-behalf TPAF Social Security	498,391	381,658	214,942	98,891	58,237
Capital outlay	28,905	570,135	748,239	790,723	235,597
Unallocated depreciation	132,540	116,754	83,555	55,765	22,692
Total governmental activities expenses	<u>7,342,664</u>	<u>7,474,388</u>	<u>5,719,194</u>	<u>3,886,351</u>	<u>2,174,413</u>
Business-type activities:					
Food service	288,408	246,096	160,522	105,064	59,624
Total business-type activities expense	<u>288,408</u>	<u>246,096</u>	<u>160,522</u>	<u>105,064</u>	<u>59,624</u>
Total school expenses	<u>\$7,631,072</u>	<u>\$7,720,484</u>	<u>\$5,879,716</u>	<u>\$3,991,415</u>	<u>\$2,234,037</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Pupil transportation					
Central and other support services					
Operating grants and contributions	\$454,363	\$405,221	\$600,202	\$314,757	\$694,805
Capital grants and contributions					
Total governmental activities program revenues	<u>454,363</u>	<u>405,221</u>	<u>600,202</u>	<u>314,757</u>	<u>694,805</u>
Business-type activities:					
Charges for services					
Food service	250,970	240,968	184,927	123,225	59,624
Operating grants and contributions					
Capital grants and contributions					
Total business type activities program revenues	<u>250,970</u>	<u>240,968</u>	<u>184,927</u>	<u>123,225</u>	<u>59,624</u>
Total school program revenues	<u>705,333</u>	<u>646,189</u>	<u>785,129</u>	<u>437,982</u>	<u>754,429</u>
Net (Expense)/Revenue					
Governmental activities	(\$6,888,301)	(\$7,069,167)	(\$5,094,587)	(\$3,553,433)	(\$1,479,608)
Business-type activities	(\$37,438)	(\$5,128)	\$0	\$0	\$0
Total school-wide net expense	<u>(\$6,925,739)</u>	<u>(\$7,074,295)</u>	<u>(\$5,094,587)</u>	<u>(\$3,553,433)</u>	<u>(\$1,479,608)</u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities:					
Local share	\$344,170	\$919,294	\$677,196	\$431,677	\$208,115
State Share	6,166,940	5,626,090	4,141,126	2,750,588	1,379,447
State Aid	1,085,452	849,815	596,041	398,089	150,511
Miscellaneous income	5,526	31,661	15,256	9,820	192
Increase in Net Capital Outlay	0	315,735	348,239	207,578	453,846
Transfers					
Total governmental activities	<u>7,602,088</u>	<u>7,742,595</u>	<u>5,777,858</u>	<u>3,797,752</u>	<u>2,192,111</u>
Business-type activities:					
Investment earnings					
Transfers	0	0	0	0	0
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>7,602,088</u>	<u>7,742,595</u>	<u>5,777,858</u>	<u>3,797,752</u>	<u>2,192,111</u>
Change in Net Position					
Governmental activities	\$713,787	\$673,428	\$658,866	\$226,158	\$712,503
Business-type activities	(\$37,438)	(\$5,128)	\$24,405	\$18,161	\$0
Total school	<u>\$676,349</u>	<u>\$668,300</u>	<u>\$683,271</u>	<u>\$244,319</u>	<u>\$712,503</u>

Source: School Financial Statements

**PEOPLE'S PREPARATORY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund					
Capital reserve	\$ 1,300,000	\$ 1,300,000	\$ 1,050,000	\$ 650,000	\$ -
Unreserved	2,070,850	1,224,323	749,876	355,694	281,349
Total general fund	<u>\$ 3,370,850</u>	<u>\$ 2,524,323</u>	<u>\$ 1,799,876</u>	<u>\$ 1,005,694</u>	<u>\$ 281,349</u>
 All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue fund					
Capital projects fund					
Enterprise Fund	-	37,438	42,566		
Debt service fund					
Permanent fund					
Total all other governmental funds	<u>\$ -</u>	<u>\$ 37,438</u>	<u>\$ 42,566</u>		

Source: School Financial Statements

PEOPLE'S PREPARATORY CHARTER SCHOOL
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues					
Local tax Levy	\$344,170	\$919,294	\$677,196	\$431,677	\$208,115
Other local revenue	16,635	61,359	141,456	69,390	338,865
State sources	7,252,392	6,475,905	4,737,167	3,148,677	1,529,958
Federal sources	443,254	375,523	474,002	255,187	356,132
Food Service	250,970	240,968	184,927	123,225	59,624
Total revenue	<u>8,307,421</u>	<u>8,073,049</u>	<u>6,214,748</u>	<u>4,028,156</u>	<u>2,492,694</u>
Expenditures					
Instruction	2,935,743	3,209,442	2,117,034	1,416,342	575,131
Regular Instruction					
Support Services:					
General administration	1,840,670	1,746,336	1,192,786	818,349	361,132
School administrative services/Plant	1,452,052	1,044,842	762,436	391,524	226,819
TPAF Social Security	498,391	381,658	214,942	98,891	58,237
Capital outlay	28,905	570,135	748,239	790,723	235,597
Food Service	288,408	246,096	160,522	105,064	59,624
Debt service:					
Principal					
Interest and other charges					
Special Revenue	454,363	405,221	600,202	314,757	694,805
Total expenditures	<u>7,498,532</u>	<u>7,603,730</u>	<u>5,796,161</u>	<u>3,935,650</u>	<u>2,211,345</u>
Excess (Deficiency) of revenues over (under) expenditures					
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>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 808,889</u>	<u>\$ 469,319</u>	<u>\$ 418,587</u>	<u>\$ 92,506</u>	<u>\$ 281,349</u>

Source: School Financial Statements

REVENUE CAPACITY

PEOPLE'S PREPARATORY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Fiscal Years Ended June 30
(Unaudited)

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Totals</u>
2012						192	192
2013						9,820	9,820
2014						15,256	15,256
2015				28,551		3,110	31,661
2016							

Source: School Financial Statements

Exhibit J-6

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

PEOPLE'S PREPARATORY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2016
(Unaudited)

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2016
(Unaudited)

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction					
Regular	34	34	23	15	9
Special education	4	3	1	1	1
Other special education			0	1	
Vocational					
Other instruction					
Nonpublic school programs					
Adult/continuing education programs					
Support Services:					
Student & instruction related services	20	17	12	6	3
General administration	4	4	4	4	3
School administrative services	2	3	2	1	2
Other administrative services	5			1	1
Central services					
Administrative Information Technology	1	1			
Plant operations and maintenance	3	2	2	1	3
Pupil transportation					
Other support services		2	1	1	
Special Schools					
Food Service					
Child Care					
Total	<u>73</u>	<u>66</u>	<u>45</u>	<u>31</u>	<u>22</u>

Source: School Personnel Records

PEOPLE'S PREPARATORY CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2012	95	\$2,151,721	\$22,649	0.00%	8	0	8	95	87	100%	92%
2013	191	\$3,186,760	\$16,685	-26.33%	17	0	17	192.4	175	103%	90%
2014	271	\$5,796,161	\$21,388	1.28%	24	0	24	275.4	251.9	43%	91%
2015	359	\$6,610,715	\$18,414	1.28%	37	0	37	359	331.6	30%	91%
2016	371				38	0	38	376.2	331	5%	88%

Sources: School records

PEOPLE'S PREPARATORY CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(Unaudited)

<u>School Building</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Main Campus*					
Exclusive Space- Square Feet	35,041	35,041	27,107	18,512	11,330
Shared Space-Square Feet	17,466	17,466	17,466	17,466	17,466
Capacity (students)	380	380	285	200	95
Enrollment (year-end)	371	359	271	191	95
Second Campus					
Square Feet	N/A	N/A	N/A	N/A	N/A
Capacity (students)	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A
Number of Schools at June 30					
High School	1	1	1	1	1

Source: Charter School Office

*People's Preparatory Charter School rents space from the Newark Public Schools. The School is co-located in a school building with two other district schools and district facilities and operational offices.

Exhibit J-19

**PEOPLE'S PREPARATORY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 900,000	\$ 1,000
Boiler and Machinery	1,000,000	1,000
School Board Legal Liability	1,000,000	5,000
Umbrella	2,000,000	10,000
Workers' Compensation	1,000,000	-
 Surety Bonds		
School Board Legal Liability	2,000,000	5,000
School Business Administrator	140,000	
Source: Charter School Records		

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**PEOPLES PREPARATORY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited**

**Charter School Performance Framework Financial Indicators
Sustainability Indicators**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	2,927,462	2,561,222	2,208,996	1,300,541	467,957
Current Assets	3,547,107	3,034,234	2,536,493	1,588,625	656,389
Capital Assets-Net	914,092	1,046,632	847,651	582,967	431,154
Total Assets	<u>4,461,199</u>	<u>4,080,866</u>	<u>3,384,144</u>	<u>2,171,592</u>	<u>1,087,543</u>
Current Liabilities	176,257	472,473	694,051	564,770	375,040
Long Term Liabilities	0	0	0	0	0
Total Liabilities	<u>176,257</u>	<u>472,473</u>	<u>694,051</u>	<u>564,770</u>	<u>375,040</u>
Net Position	<u>4,284,942</u>	<u>3,608,393</u>	<u>2,690,093</u>	<u>1,606,822</u>	<u>712,503</u>
Total Revenue	8,307,421	8,073,049	6,214,748	4,028,156	2,492,694
Total Expenses	<u>(7,498,532)</u>	<u>(7,603,730)</u>	<u>(5,796,161)</u>	<u>(3,935,650)</u>	<u>(2,211,345)</u>
Change in Net Position	<u>808,889</u>	<u>469,319</u>	<u>418,587</u>	<u>92,506</u>	<u>281,349</u>
Depreciation	132,540	116,754	83,555	55,765	22,692
Principal Payments	0	0	0	0	0
Interest payments	0	0	0	0	0
Final average daily enrollment	371	366	271	175	95
March 30th budgeted Enrollment	371	366	271	175	95
Near term indicators	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
CURRENT RATIO	20.12	6.43	2.38	2.81	1.75
Unrestricted days cash	142.49	122.95	139.1	120.6	77.2
Enrollment variance	100%	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A	N/A

**PEOPLES PREPARATORY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited**

**Charter School Performance Framework Financial Indicators
Sustainability Indicators**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	2,927,462	2,561,222	2,208,996	1,300,541	467,957
Current Assets	3,547,107	3,034,234	2,536,493	1,588,625	656,389
Capital Assets-Net	914,092	1,046,632	847,651	582,967	431,154
Total Assets	<u>4,461,199</u>	<u>4,080,866</u>	<u>3,384,144</u>	<u>2,171,592</u>	<u>1,087,543</u>
Current Liabilities	176,257	472,473	694,051	564,770	375,040
Long Term Liabilities	0	0	0	0	0
Total Liabilities	<u>176,257</u>	<u>472,473</u>	<u>694,051</u>	<u>564,770</u>	<u>375,040</u>
Net Position	<u>4,284,942</u>	<u>3,608,393</u>	<u>2,690,093</u>	<u>1,606,822</u>	<u>712,503</u>
Total Revenue	8,307,421	8,073,049	6,214,748	4,028,156	2,492,694
Total Expenses	<u>(7,498,532)</u>	<u>(7,603,730)</u>	<u>(5,796,161)</u>	<u>(3,935,650)</u>	<u>(2,211,345)</u>
Change in Net Position	<u>808,889</u>	<u>469,319</u>	<u>418,587</u>	<u>92,506</u>	<u>281,349</u>
Depreciation	132,540	116,754	83,555	55,765	22,692
Principal Payments	0	0	0	0	0
Interest payments	0	0	0	0	0
Final average daily enrollment	371	366	271	175	95
March 30th budgeted Enrollment	371	366	271	175	95
Sustainability Indicators	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total margin	9.0%	6.4%	7%	6%	3%
Debt to Asset	N/A	N/A	N/A	N/A	N/A
Cash flow	366,240	322,226	908,455	832,584	467,957
Debt Service Coverage ratio	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
12 MERRY LANE
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

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 Chairman and
Members of the Board of Trustees
People's Preparatory Charter School
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 People's Preparatory Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2016, 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 November 1, 2016.

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*.

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, appearing to read "Scott J Loeffler CPA". The signature is written in a cursive style with a horizontal line extending to the right.

Scott J Loeffler, CPA
November 1, 2016

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
12 MERRY LANE
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

EXHIBIT K-2

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY OMB'S CIRCULAR LETTER 15-08**

The Honorable Chairman and
Members of the Board of Trustees
People's Preparatory Charter School
County of Essex
Newark, New Jersey

Compliance

I have audited the People's Preparatory Charter School, 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, 2016. 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Department of the Treasury Circular Letter 15-08 *OMB Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, The Uniform Guidance 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, 2016.

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 The Uniform Guidance 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 The Uniform Guidance 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 CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J. Loeffler, CPA
November 1, 2016

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016**

<u>Federal/Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2016</u>	<u>Prior Carry-over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjust</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2016</u>	<u>Due to Grantor at June 30, 2016</u>
Food Subsidy											
Federal School Breakfast	10.553	07/01/15-06/30/16	37,988	(7,098)		\$ 45,086	\$ 37,988			0	
Federal School Lunch	10.555	07/01/15-06/30/16	105,850	(13,689)		119,539	105,850			0	
Federal School Snack	10.558	07/01/15-06/30/16	29,828	(1,804)		31,632	29,828			0	
Special Revenue											
NCLB Title I PART A	84.010A	07/01/15-06/30/16	359,543	0		359,543	359,543			0	
NCLB Title II	84.367	07/01/15-06/30/16	5,001	0		5,001	5,001			0	
IDEA BASIC	84.027	07/01/15-06/30/16	78,710	0		78,710	78,710			0	
				<hr/>							
Total Special Revenue				0		443,254	443,254			0	---
				<hr/>		<hr/>	<hr/>			<hr/>	<hr/>
				(22,591)		\$639,511	\$616,920			-	

See accompanying notes to schedules of expenditures of Federal and State award programs.

PEOPLES PREPARATORY CHARTER SCHOOL
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2016

EXHIBIT-K-4

<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, 2015</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustments</u>	<u>Deferred Revenue/ (Accounts Receivable) 2016</u>	<u>Due to Grantor at June 30, 2016</u>
GENERAL FUND										
TPAF On Behalf Social Security	16-495-034-5095-002	7/1/15-06/30/16	\$189,065		\$189,065	\$189,065				
Equalization School Aid - Local	16-495-034-5120-078	7/1/15-06/30/16	344,170		344,170	344,170				
Equalization School Aid - State	16-495-034-5120-078	7/1/15-06/30/16	6,166,940		6,166,940	6,166,940				
Security Aid	16-100-034-5120-084	7/1/15-06/30/16	215,684		215,684	215,684				
Nonpublic Aid	16-100-034-5120-060	7/1/15-06/30/16	103,680		103,680	103,680				
Special Education	16-495-034-5120-089	7/1/15-06/30/16	<u>267,697</u>		<u>267,697</u>	<u>267,697</u>				
Total General Fund					7,287,236	7,287,236				
ENTERPRISE FUND										
State School Lunch	16-100-010-3350-023	7/1/15-06/30/16	<u>(\$261)</u>		<u>2,558</u>	<u>1,968</u>			<u>\$329</u>	<u>\$</u>
Total State Financial Aid Subject to OMB 04-04			<u>(\$449)</u>		<u>\$7,289,794</u>	<u>\$7,289,204</u>			<u>\$329</u>	<u>\$ -</u>
On Behalf TPAF Pension/Medical	16-495-034-5095-050	7/1/15-06/30/16			<u>\$309,326</u>	<u>\$309,326</u>				
Total State Financial Assistance					<u>\$7,599,120</u>	<u>\$7,598,530</u>				

See accompanying notes to schedules of expenditures of Federal and State award programs.

**PEOPLE'S PREPARATORY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the Board of Trustees of the People's Preparatory Charter School. 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 awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

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:

**PEOPLE'S PREPARATORY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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:

	Federal	State	Total
General Fund	\$ ---	\$7,287,236	\$7,201,127
Special Revenue Fund	443,254	-0-	443,254
Food Service Fund	<u>173,666</u>	<u>1,968</u>	<u>175,634</u>
Total Awards and Financial Assistance	<u>\$616,920</u>	<u>\$7,289,204</u>	<u>\$7,820,015</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 INFORMATION

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2016. TPAF Social Security Contributions of \$189,065 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

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

On-behalf State Programs for TPAF Pension \$168,128 and Post-Retirement Medical Benefits Contributions \$14,190 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.

**PEOPLE’S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2CFR 200.156(A)?	X

Identification of major programs:

CDFA Number(s)	Name of Federal Program or Cluster	
None	None	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$750,000

Auditee qualified as low risk auditee:	X
--	----------

**PEOPLE’S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

State Awards	<u>YES</u>	<u>NO</u>	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$750,000	
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:			
<u>CDEA Number(s)</u>		<u>Name of State Program or Cluster</u>	
16-495-034-5120-078		Equalization School Aid Cluster	
16-495-034-5120-084		Security Aid	
16-495-034-5120-089		Special Education	

**PEOPLE'S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

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

**PEOPLE'S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 The Uniform Guidance 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 The Uniform Guidance or with NJOMB Circular 15-08.

**PEOPLE'S PREPARATORY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. Uniform Guidance (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.