

John P. Holland

CHARTER SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

JOHN P. HOLLAND CHARTER SCHOOL

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-6
Organizational Chart	7
Roster of Officials	8
Consultants and Advisors	9
FINANCIAL SECTION	
Independent Auditor's Report	10-12
Required Supplementary Information – Part I	
Management's Discussion and Analysis.....	13-21
Basic Financial Statements	
A. Charter School-wide Financial Statements:	
A-1 Statement of Net Position	22
A-2 Statement of Activities.....	23
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet.....	24
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances.....	25
B-3 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds – Enterprise Funds:	
B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses and Change in Fund Net Position	28
B-6 Statement of Cash Flows	29
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position.....	30
Notes to the Basic Financial Statements	31-62
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	63-66
C-2 Budgetary Comparison Schedule - Special Revenue Fund	67
Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	68

TABLE OF CONTENTS (CONTINUED)

Page

FINANCIAL SECTION (CONTINUED)

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	69
L-2	Schedule of Charter School Contributions – PERS	70
L-3	Schedule of Charter School's Proportionate Share of the Net Pension Liability – TPAF	71

Other Supplementary Information

D. School Level Schedules:

D-1	Combining Balance Sheet.....	N/A
D-2	Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3	Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual	N/A

E. Special Revenue Fund:

E-1	Combining Schedule of Program Revenues and Expenditures Budgetary Basis	72
-----	-------------------------------------------------------------------------------	----

F. Capital Projects Fund:

F-1	Summary Statement of Project Expenditures	N/A
F-2	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis	N/A
F2a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	N/A

G. Proprietary Funds: Enterprise Fund

G-1	Combining Statement of Net Position	Refer to B-4
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	Refer to B-5
G-3	Combining Statement of Cash Flows.....	Refer to B-6

TABLE OF CONTENTS (CONTINUED)

Page

FINANCIAL SECTION (CONTINUED)

Other Supplementary Information (Continued)

H. Fiduciary Funds:

H-1	Student Activity Agency Fund Schedule of Receipts and Disbursements.....	73
H-2	Payroll Agency Fund Schedule of Receipts and Disbursements	74
H-3	Flexible Spending Account Schedule of Receipts and Disbursements	75

I. Long-Term Debt:

I-1	Schedule of Mortgage Obligations – Not Applicable.....	N/A
I-2	Schedule of Obligations under Capital Leases – Not Applicable.....	N/A
I-3	Debt Service Fund Budgetary Comparison Schedule – Not Applicable	N/A

STATISTICAL TABLES (SECTION) (Unaudited)

J	Introduction to Statistical Section	76
---	-------------------------------------------	----

Financial Trends:

J-1	Net Position by Component	77
J-2	Change in Net Position	78-80
J-3	Fund Balances, Governmental Funds.....	81
J-4	Changes in Fund Balances, Governmental Funds	82
J-5	General Fund Other Local Revenue by Source.....	83

Revenue Capacity:

J-6	Assessed Value and Actual Value of Taxable Property	N/A
J-7	Direct and Overlapping Property Tax Rates	N/A
J-8	Principal Property Taxpayers	N/A
J-9	Tax Levies and Collections	N/A

Debt Capacity:

J-10	Ratios of Outstanding Debt by Type	84
J-11	Ratios of Net General Bonded Debt Outstanding	N/A
J-12	Direct and Overlapping Governmental Activities Debt.....	N/A
J-13	Legal Debt Margin Information.....	N/A

Demographic and Economic Information:

J-14	Demographic and Economic Statistics.....	85
J-15	Principal Employers.....	86

TABLE OF CONTENTS (CONTINUED)

Page

STATISTICAL TABLES (SECTION) (Unaudited) (Continued)

Operating Information:

J-16	Full time Equivalent Charter School Employees by Function/Program	87
J-17	Operating Statistics	88
J-18	School Building Information	89
J-19	Schedule of Required Maintenance for School Facility	90
J-20	Insurance Schedule	91

Charter School Performance Framework Financial Indicators:

J-21	Near Term Indicators	92
J-22	Sustainability Indicators	93

SINGLE AUDIT SECTION

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 <i>Government Auditing Standards</i>	94-95
K-2	Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control over Compliance Required by State of New Jersey OMB's Circulars 15-08.....	96-98
K-3	Schedule of Expenditures of Federal Awards, Schedule A	99
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	100
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.....	101-102
K-6	Schedule of Findings and Questioned Costs.....	103-104
K-7	Summary Schedule of Prior Year Audit Findings.....	105

INTRODUCTORY SECTION



John P. Holland

CHARTER SCHOOL

LETTER OF TRANSMITTAL

December 2, 2016

Honorable President and Members
of the Board
John P. Holland Charter School District
City of Paterson
County of Passaic, New Jersey

Dear Board Members:

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the John P. Holland Charter School (the "Charter School") for the fiscal year ended June 30, 2016.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

Government Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Charter School of Excellence's MD&A can be found immediately following the Independent Auditor's Report.

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

- The Introductory Section includes a table of contents, this Letter of Transmittal, the Charter School's Organization Chart and a List of Principal Officials;
- The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A) and the Basic Financial Statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The Basic Financial Statements also include individual fund financial statements and required supplemental information (RSI);
- The Statistical Section includes selected financial and demographic information of the Charter School generally presented on a multi-year basis;

- The Single Audit Section – The District is required to undergo an annual audit in conformity with the provisions of the Title 2 US Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and 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 independent auditor’s report on compliance for each major state program and report on internal control over compliance along with findings and questioned costs if any, is included in the single audit section of this report.

Information related to this single audit, including the independent 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.

1. REPORTING ENTITY AND ITS SERVICES

The Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

The Charter school is open to all Paterson students on a space available basis and does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, proficiency in the English language, or any other basis that would be illegal if used by a charter-school.

The Charter School has completed its fifth year of service to the children and families of Paterson. By the end of the 2015-2016 school year, the Charter School had a student enrollment of 199.

The Charter School’s enrollment at October 15, 2015 was 199 students, which is a 0% decrease above the previous October 15 count. The following details the changes in enrollment over the last five years:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015 - 2016	199	0%
2014 - 2015	199	17.75%
2013 - 2014	169	0%
2012 - 2013	169	0%
2011 - 2012	169	0%

2. ECONOMIC CONDITION AND OUTLOOK

The Charter School is located in the City of Paterson in the County of Passaic, within the State of New Jersey. Paterson's population stands at 146,199 (2010 census) and is 32% African American; 58% Hispanic/Latino and 10% other races. Paterson is known as the "Silk City" for its dominant role in silk production during the latter half of the 19th century. The city is served by the New Jersey Transit Main Line commuter rail service, with the station located in Downtown Paterson. Bus service to locations in Passaic, Bergen, Essex and Hudson counties is provided by New Jersey Transit, making the city a regional transit hub.

The Paterson Public Schools serve students in kindergarten through twelfth grade. Paterson at present has four operating charter schools, one of which is John P. Holland. The district is one of 31 Abbott districts statewide, which are now referred to as "SDA Districts" based on the requirement for the state to provide additional funding for Early Childhood Education for all 3 to the 5 year olds in those districts. The school system has over 30,000 students who speak over 50 different languages. The school system currently has 52 schools with over 6,000 employees.

Paterson boasts numerous locations on the National Register of Historic Places, including museums, schools, public buildings, and churches. Paterson's rich history is best represented though the designation by President Obama in 2009 of the area surrounding the majestic Great Falls as a new national park, the Paterson Great Falls National Historical Park.

In 2015-2016 the City of Paterson continued to experience financial hardships common to urban municipalities in New Jersey including high unemployment, violence and high rates of poverty. However, the new national park holds great promise to serve as a catalyst for significant economic development and tourism, enabling Paterson to dramatically improve both its financial condition and the opportunities it is able to offer its residents and visitors alike.

3. CHARTER SCHOOL ENROLLMENT, DEMOGRAPHICS AND OTHER HIGHLIGHTS

The Charter School understands its responsibility to serve all students, including special education students, English Language Learners, students who qualify for free or reduced-price lunch, and other underserved or at-risk populations.

In 2015-2016, the Charter School was able to provide our students with several programs. One included having students that were identified as "At Risk" attend an after school Kumon Tutoring Program. This was twice a week for 5 months and at no cost to the parents. It provided transportation and material. In addition, we provided additional support to our teachers through our University Partnerships which included WPU and Drew. We also provided our students with After Care Service that included dinner and tutoring.

4. INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The system of internal control is designed to provide reasonable, but no absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

5. BUDGETARY CONTROLS

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the fiscal year is reflected in the financial section.

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

During the 2015-2016 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

6. ACCOUNTING SYSTEM AND REPORTS

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school. The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statement", Note 1.

7. FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special Revenue Funds for the fiscal year ended June 30, 2016:

Summary of the General Fund and Special Revenue Fund Revenues				
Revenue	2016	2015	Increase/ (decrease)	Percent Change
Local sources	\$ 367,971	\$ 370,121	\$ (2,150)	(0.58) %
State sources	2,486,815	2,635,395	(148,580)	(5.64)
Federal sources	205,741	298,677	(92,936)	(31.12)
	<u>\$ 3,060,527</u>	<u>\$ 3,304,193</u>	<u>\$ (243,666)</u>	<u>(7.37)</u>

(Refer to Exhibit B-2)

The Charter school experienced an insignificant decrease in revenue of about 7.37% which is consistent with the no change in enrollment level compared to 2015.

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

Summary of the General Fund and Special Revenue Fund Expenditures				
Expenditures	2016	2015	Increase/ (decrease)	Percent Change
Instruction	\$ 1,293,827	\$ 1,231,771	\$ 62,056	5.04 %
Administrative	1,271,142	1,224,328	46,814	3.82
Support	792,016	917,497	(125,481)	(13.68)
Capital outlay	42,491	-	42,491	N/A
	<u>\$ 3,399,476</u>	<u>\$ 3,373,596</u>	<u>\$ 25,880</u>	<u>0.77</u>

(Refer to Exhibit B-2)

The Charter School's expenditures increased by about .77%, a portion of the increase which is consistent with the no change in enrollment level compared to 2015.

8. CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by the state statute as detailed in "Notes to the Financial Statements". The Charter school has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation.

10. OTHER INFORMATION

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or Registered Municipal Accountants. The Charter School appointed the accounting firm of Samuel Klein and Company.

Title 2 US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of state financial assistance as required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

The 2015-2016 school-year was one of modest academic achievement at the John P. Holland Charter School. However, the Charter School continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School's operations, and particularly in the area of student achievement.

11. ACKNOWLEDGEMENTS

A note of appreciation is extended to the Finance Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to the John P. Holland Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the John P. Holland Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,

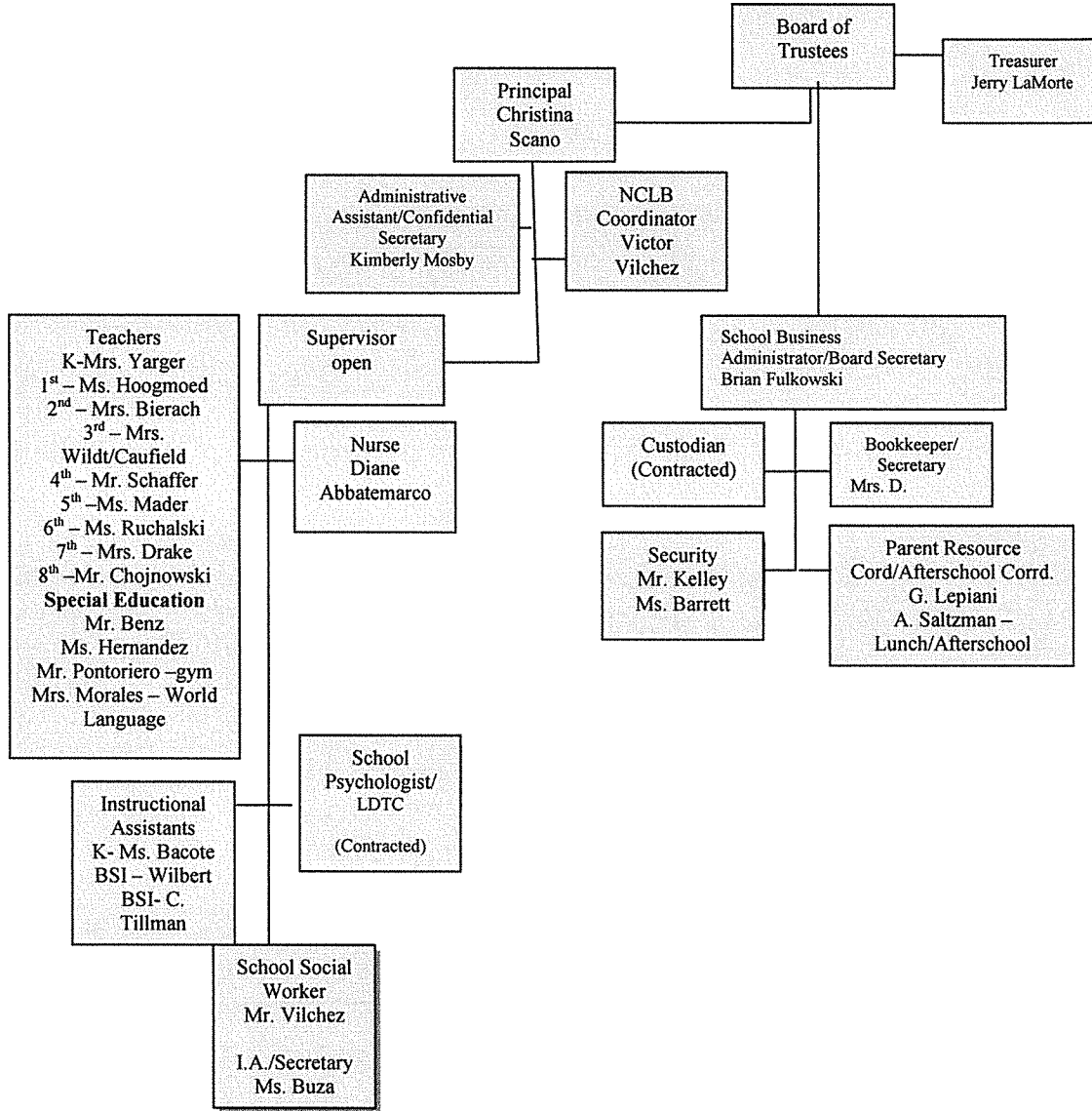
Christina Scano

Christina Scano, Principal

Brian Falkowski

Dr. Brian Falkowski, Board Secretary/
School Business Administrator

**JOHN P. HOLLAND CHARTER SCHOOL
Organizational Chart 2015-2016**



**JOHN P. HOLLAND CHARTER SCHOOL
PATERSON, NEW JERSEY**

ROSTER OF TRUSTEES AND OFFICERS

JUNE 30, 2016

<u>Members of the Board of Trustees</u>	<u>Term Expires</u>
Vanessa Ramos, President	2017
LaRhonda Oliver, Vice-President	2017
Marie Donnantuono, Board Member	2018
Kecia Teller, Board Member	2018
Aiesha Betty, Board Member	2018
Mary Brancaccio, Board Member	2017
Marian Rabel, Board Member	2017

Administration

Christina Scano, Principal

Dr. Brian Falkowski, School Business Administrator/Board Secretary

**JOHN P. HOLLAND CHARTER SCHOOL
PATERSON, NEW JERSEY**

CONSULTANTS AND ADVISORS

JUNE 30, 2016

Audit Firm

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
John P. Holland Charter School
County of Passaic
Paterson, New Jersey

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, the business type activities each major fund and the aggregate remaining fund information of the John P. Holland Charter School, County of Passaic, State of New Jersey (the "Charter School"), as of and for the year ended June 30, 2016 and the related Notes to Financial Statements, which collectively comprise the Charter School's basic financial statements, as listed in the table of contents. The financial statements for the year ended June 30, 2015 for the Charter School were audited by another firm whose opinion dated November 24, 2015 was unmodified.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Charter School'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 Charter School's internal control.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities each major fund and the aggregate remaining fund information of the John P. Holland 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information and schedule of the Charter School's proportionate share of the net pension liability – PERS, schedule of Charter School contributions, schedule of the State's proportionate share of the net pension liability associated with the Charter School – TPAF and budgetary comparison information as identified 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the John P. Holland Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by US Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

The accompanying combining statements and the Schedule of Expenditures of Federal Awards and State Financial Assistance are 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 our opinion, the accompanying combining statements and Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the John P. Holland Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 John P. Holland Charter School internal control over financial reporting compliance.



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
December 2, 2016

REQUIRED SUPPLEMENTARY INFORMATION – PART I

JOHN P. HOLLAND CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(UNAUDITED)

Introduction

This section of the John P. Holland Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in MD&A.

Overview of Financial Statements

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

Financial Highlights

Key financial highlights for 2015-2016 are as follows:

- Net position of governmental activities ended the fiscal year with a deficit of \$110,704. Net position of business-type activities, which represent food service operations ended the fiscal year with \$25,027.
- General revenues accounted for \$3,024,299 in revenue or 88% of total revenues of \$3,436,620. Program specific revenues, in the form of charges for services, grants and contributions accounted for \$412,321 or 12% of total revenues.
- The Charter School had \$3,761,479 in expenses related to governmental activities; \$218,541 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$3,024,299 helped to provide for the balance of these programs.
- The General Fund reported fund deficit at June 30, 2016 of \$110,704.
- On the Charter School-Wide financial statements, assets and deferred outflows of resources was in deficit to the liabilities and deferred inflows of resources of the Charter School at the close of its most recent fiscal year by \$85,677. The Charter School's total net position for the prior year ended June 30, 2016 decreased by \$92,827, as a result of the Cumulative Effect of Change in Accounting Principles that caused a restatement of the prior year Net Position (Beginning of the Fiscal Year) related to compensated absences and pension liabilities. This is required by Governmental Accounting Standard Board Statement No. 68 ("GASB Statement No. 68") and GASB Statement No. 71 which is discussed in detail in the attached financial statements and more particularly in Note 7.

JOHN P. HOLLAND CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(UNAUDITED) (CONTINUED)

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the John P. Holland Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of a Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the John P. Holland Charter School, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities, the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Reporting the Charter School as a Whole

Statement of Net Position and Statement of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net position and changes to those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors.

JOHN P. HOLLAND CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(UNAUDITED) (CONTINUED)

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

Governmental Activities — Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business Type Activities — Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care programs enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial reports provide detailed information about the Charter School's major funds - not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 24-26 of this report.

JOHN P. HOLLAND CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(UNAUDITED) (CONTINUED)

Enterprise Fund

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

The enterprise fund financial statements can be found on pages 27-29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 62 of this report.

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Charter School, liabilities exceeded assets by \$85,677 at the close of 2016. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

JOHN P. HOLLAND CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(UNAUDITED) (CONTINUED)

Table 1 – Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Charter School	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Assets						
Current assets	\$ 645,596	\$ 1,062,023	\$ 90,810	\$ 129,783	\$ 736,406	\$ 1,191,806
Capital assets, net	41,020	31,479	-	-	41,020	31,479
Total Assets	<u>\$ 686,616</u>	<u>\$ 1,093,502</u>	<u>\$ 90,810</u>	<u>\$ 129,783</u>	<u>\$ 777,426</u>	<u>\$ 1,223,285</u>
Deferred outflows of resources						
Pension	\$ 914,658	\$ 575,573			\$ 914,658	\$ 575,573
Total Deferred outflows of resources	<u>\$ 914,658</u>	<u>\$ 575,573</u>			<u>\$ 914,658</u>	<u>\$ 575,573</u>
Liabilities						
Current liabilities	\$ 496,654	\$ 563,398	\$ 65,783	\$ 128,262	\$ 562,437	\$ 691,660
Net pension liability	1,128,727	595,645			1,128,727	595,645
Long-term liabilities outstanding	68,450	66,600			68,450	66,600
Total Liabilities	<u>\$ 1,693,831</u>	<u>\$ 1,225,643</u>	<u>\$ 65,783</u>	<u>\$ 128,262</u>	<u>\$ 1,759,614</u>	<u>\$ 1,353,905</u>
Deferred inflow of resources						
Pension	\$ 18,148	\$ 35,497	\$ -	\$ -	\$ 18,148	\$ 35,497
Net Position						
Net investment in capital assets	\$ 41,020	\$ 31,479			\$ 41,020	\$ 31,479
Restricted	25,000	25,000			25,000	25,000
Unrestricted (deficit)	(176,724)	351,456	\$ 25,027	\$ 1,521	(151,697)	352,977
Total Net Position (deficit)	<u>\$ (110,704)</u>	<u>\$ 407,935</u>	<u>\$ 25,027</u>	<u>\$ 1,521</u>	<u>\$ (85,677)</u>	<u>\$ 409,456</u>

JOHN P. HOLLAND CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(UNAUDITED) (CONTINUED)

The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School decreased by \$495,132 during the current fiscal year ended June 30, 2016. The majority of the decrease is attributable to a deficit of \$518,639 in the General Fund. Operating grants and contributions decreased by 26.83%.

Table 2 shows the changes in net position from fiscal year 2016 and 2015.

Table 2 – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Charter School	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Revenues:						
Program Revenues:						
Charges for Services			\$ 73,247	\$ 62,107	\$ 73,247	\$ 62,107
Operating Grants and Contributions	\$ 218,541	\$ 298,677	120,533	112,157	339,074	410,834
General Revenues:						
Local Aid	355,171	324,345	-	-	355,171	324,345
Federal and State Aid	2,666,126	2,635,395	-	-	2,666,126	2,635,395
Miscellaneous	3,002	45,776	-	-	3,002	45,776
Transfers		(9,382)		9,382	-	-
Total Revenue	\$ 3,242,840	\$ 3,294,811	\$ 193,780	\$ 183,646	\$ 3,436,620	\$ 3,478,457
Expenses:						
Instructions	\$ 1,437,025	\$ 1,231,771			\$ 1,437,025	\$ 1,231,771
Administrative & Support Services	2,291,504	1,609,369			2,291,504	1,609,369
Unallocated Depreciation	32,950	28,701			32,950	28,701
Food Service & After Care			\$ 170,273	\$ 133,851	170,273	133,851
Total Expenses	\$ 3,761,479	\$ 2,869,841	\$ 170,273	\$ 133,851	\$ 3,931,752	\$ 3,003,692
Change in Net Position	\$ (518,639)	\$ 424,970	\$ 23,507	\$ 49,795	\$ (495,132)	\$ 474,765
Net Position - beginning	\$ 407,935	\$ 75,792	\$ 1,520	\$ (48,274)	\$ 409,455	\$ 27,518
Prior Year Adjustment:						
Pension Accrual		\$ (26,227)				\$ (26,227)
Compensated Absences		(66,600)				(66,600)
		\$ (92,827)				\$ (92,827)
Net Position - ending	\$ (110,704)	\$ 407,935	\$ 25,027	\$ 1,521	\$ (85,677)	\$ 409,456

JOHN P. HOLLAND CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(UNAUDITED) (CONTINUED)

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2016.

Table 3 - Statement of Activities

	Total Cost of Services			Net Cost of Services		
	2015-2016	2014-2015	% Change	2015-2016	2014-2015	% Change
Instruction	\$ 1,437,025	\$ 1,231,771	NM	\$ 1,265,229	\$ 1,077,120	NM
Administrative & Support Services	2,291,504	1,609,369	NM	2,244,759	1,465,343	NM
Unallocated Depreciation	32,950	28,701	NM	32,950	28,701	NM
Total Expenses	\$ 3,761,479	\$ 2,869,841	NM	\$ 3,542,938	\$ 2,571,164	NM

* Not comparable - 2014-2015 expenditures do not include compensated absences nor certain pension adjustments

NM = Not Meaningful

Business-Type Activities

The business-type activity of the Charter School consists of the food service operation and an after-care program:

- The Food Service Program had revenue of \$180,656 and expenses of \$125,885 resulting in a net income of \$54,770.71. The net position of the fund is \$17,012.
- The After-Care Program had revenue of \$13,123 and expenses of \$44,387 resulting in a loss of \$31,263. The net position of the fund is \$8,016.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3,242,840 and expenditures of \$3,805,866. The negative change in fund balance for the year was funded by a portion of the accumulated fund balance.

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

During the course of fiscal 2016, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

JOHN P. HOLLAND CHARTER SCHOOL

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(UNAUDITED) (CONTINUED)

The Charter School's Funds (Continued)

For the General Fund, final budgeted revenues were \$2,597,820, which included local district contributions of \$346,847. Expenditures and other financing uses were budgeted at \$2,984,063. The Charter School anticipated budgeted fund balance of \$377,017 in its 2015-2016 budget year.

The State of New Jersey reimbursed the Charter School \$73,436 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members. The State also paid \$89,340 into the TPAF pension – representing on-behalf employer's portion of the TPAF contributions for the Charter School. These unbudgeted amounts were included in both revenues and expenditures.

Capital Assets

At the end of the fiscal year 2016, the Charter School had \$198,938 invested in furniture and equipment and Leasehold Improvements. Table 4 shows fiscal 2016 balances compared to 2015.

Table 4 - Capital Assets (Net of Depreciation) at June 30

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>
Leasehold						
Improvements		\$ 11,735			-	\$ 11,735
Machinery and						
Equipment	\$ 41,020	19,744			\$ 41,020	19,744
Total Capital						
Assets - Net of						
Depreciations	\$ 41,020	\$ 31,479	\$ -	\$ -	\$ 41,020	\$ 31,479

Refer to Notes to Financial Statements (Note 5) for more detailed information.

Overall capital assets increased from fiscal year 2015 to fiscal year 2016. The increase in capital assets is due primarily to capital additions for the year exceeding the depreciation expense.

Debt Administration

At the end of the fiscal year 2016 and 2015, the Charter School had outstanding debt as follows:

Table 5 – Debt Administration

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Compensated Absences	\$ 58,182	\$ 66,600

Refer to Notes to Financial Statements (Note 6) for more detailed information.

JOHN P. HOLLAND CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(UNAUDITED) (CONTINUED)

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2016-2017. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: John P. Holland Charter School, Business Office, 190 Oliver Street, Paterson, New Jersey 07501.

Respectfully submitted,

Christina Scano

Christina Scano, Principal

Brian Falkowski

Dr. Brian Falkowski, Board Secretary/
School Business Administrator

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 390,851.62	\$ 47,497.11	\$ 438,348.73
Accounts Receivable	149,253.50	43,313.25	192,566.75
Interfund Receivable	44,387.00		44,387.00
Security Deposit	36,004.00		36,004.00
Restricted Cash and Cash Equivalents	25,000.00		25,000.00
Capital Assets, Net	<u>41,020.27</u>		<u>41,020.27</u>
Total Assets	<u>\$ 686,516.39</u>	<u>\$ 90,810.36</u>	<u>\$ 777,326.75</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension	<u>\$ 914,658.00</u>		<u>\$ 914,658.00</u>
	<u>\$ 914,658.00</u>		<u>\$ 914,658.00</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 145,732.17	\$ 21,396.10	\$ 167,128.27
Interfund Payable		44,387.00	44,387.00
Intergovernmental Accounts Payable	342,418.49		342,418.49
Unearned Revenue	8,503.00		8,503.00
Net Pension Liability	1,128,727.00		1,128,727.00
Noncurrent Liabilities:			
Due within one year	10,267.50		10,267.50
Due beyond one year	<u>58,182.50</u>		<u>58,182.50</u>
Total Liabilities	<u>\$ 1,693,830.66</u>	<u>\$ 65,783.10</u>	<u>\$ 1,759,613.76</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension	<u>\$ 18,148.00</u>		<u>\$ 18,148.00</u>
	<u>\$ 18,148.00</u>		<u>\$ 18,148.00</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 41,020.27		\$ 41,020.27
Legal Reserve	25,000.00		25,000.00
Restrict/Unrestricted	<u>(176,724.54)</u>	<u>\$ 25,027.26</u>	<u>(151,697.28)</u>
Total Net Position (deficit)	<u>\$ (110,704.27)</u>	<u>\$ 25,027.26</u>	<u>\$ (85,677.01)</u>

See accompanying notes to financial statements.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Regular	\$ 1,150,747.54			\$ (1,150,747.54)		\$ (1,150,747.54)
Special Education Instruction	286,277.23		\$ 171,796.00	(114,481.23)		(114,481.23)
Administrative & Support Services:						
General Administrative Services	866,619.39			(866,619.39)		(866,619.39)
School Administrative Services	1,411,829.63		34,991.00	(1,376,838.63)		(1,376,838.63)
Support Services	13,054.91		11,754.00	(1,300.91)		(1,300.91)
Unallocated Depreciation	32,950.14			(32,950.14)		(32,950.14)
Total Governmental Activities	\$ 3,761,478.84	\$ -	\$ 218,541.00	\$ (3,542,937.84)	-	\$ (3,542,937.84)
Business-Type Activities:						
Food Service	\$ 125,885.45	\$ 60,123.41	120,532.75		\$ 54,770.71	\$ 54,770.71
After Care	44,387.00	13,123.55			(31,263.45)	(31,263.45)
Total Business-Type Activities	\$ 170,272.45	\$ 73,246.96	\$ 120,532.75	-	\$ 23,507.26	\$ 23,507.26
Total Primary Government	\$ 3,931,751.29	\$ 73,246.96	\$ 339,073.75	\$ (3,542,937.84)	\$ 23,507.26	\$ (3,519,430.58)
General Revenues & Transfers						
Local Sources				\$ 352,169.00		\$ 352,169.00
Federal and State Sources				2,669,127.67		2,669,127.67
Miscellaneous				3,001.90		3,001.90
Total General Revenues				\$ 3,024,298.57	-	\$ 3,024,298.57
Change in Net Position				\$ (518,639.27)	\$ 23,507.26	\$ (495,132.01)
Net Position - Beginning As Adjusted				407,935.00	1,520.00	409,455.00
Net Position (Deficit) - Ending				\$ (110,704.27)	\$ 25,027.26	\$ (85,677.01)

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 380,290.62	\$ 10,661.00	\$ 390,951.62
Intergovernmental Accounts Receivable	135,080.50	14,173.00	149,253.50
Interfunds Receivable	44,387.00		44,387.00
Security Deposit	36,004.00		36,004.00
Restricted Cash	<u>25,000.00</u>		<u>25,000.00</u>
Total Assets	<u>\$ 620,762.12</u>	<u>\$ 24,834.00</u>	<u>\$ 645,596.12</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 75,439.17	\$ 16,331.00	\$ 91,770.17
Intergovernmental Accounts Payable	342,418.49		342,418.49
Unearned Revenue		<u>8,503.00</u>	<u>8,503.00</u>
Total Liabilities	<u>\$ 417,857.66</u>	<u>\$ 24,834.00</u>	<u>\$ 442,691.66</u>
Fund Balances:			
Legal Reserve Restricted	\$ 25,000.00		\$ 25,000.00
Unassigned	<u>177,904.46</u>		<u>177,904.46</u>
Total Fund Balances	<u>\$ 202,904.46</u>		<u>\$ 202,904.46</u>
Total Liabilities and Fund Balance	<u>\$ 620,762.12</u>	<u>\$ 24,834.00</u>	<u>\$ 645,596.12</u>
Total Fund Balance above			\$ 202,904.46
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$198,938.41 and the accumulated depreciation is \$157,918.14. (see Note 5).			41,020.27
Noncurrent liabilities, including bonds, loans and leases payable are not payable in the current period and therefore are not reported as liabilities in the funds (see Note 8).			
Total Noncurrent Liabilities			(68,450.00)
Certain liabilities are not due and payable in the current period, and therefore, are not reported in funds:			
Accrued Pension Liability			
(Accrued pension is a current liability that will be paid from the general fund, attributed to the fiscal year June 30, 2016, however will be raised in the budget for the fiscal year ending June 30, 2017) (see Note 7)			842,548.00
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. (see Note 7)			<u>(1,128,727.00)</u>
Net position of governmental activities (A-1)			<u>\$ (110,704.27)</u>

See accompanying Notes to Financial Statements

JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
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>Total Government Funds</u>
<u>Revenues</u>			
Local sources:			
Local Districts Contributions	\$ 352,169.00		\$ 352,169.00
Miscellaneous	<u>3,001.90</u>	<u>\$ 12,800.00</u>	<u>15,801.90</u>
Total - Local Sources	355,170.90	12,800.00	367,970.90
State Sources	2,486,814.67		2,486,814.67
Federal Sources		<u>205,741.00</u>	<u>205,741.00</u>
Total Revenues	<u>\$ 2,841,985.57</u>	<u>\$ 218,541.00</u>	<u>\$ 3,060,526.57</u>
<u>Expenditures</u>			
Current:			
Regular Instruction	\$ 1,036,076.75		\$ 1,036,076.75
Special Education Instruction	85,954.00	\$ 171,796.00	257,750.00
Support Services and Undistributed Costs:			
Student and Instruction Related Services		11,754.00	11,754.00
Other Administrative Services	780,261.67		780,261.67
School Administrative Services	1,236,151.28	34,991.00	1,271,142.28
Capital Outlay	<u>42,491.41</u>		<u>42,491.41</u>
Total Expenditures	<u>\$ 3,180,935.11</u>	<u>\$ 218,541.00</u>	<u>\$ 3,399,476.11</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ (338,949.54)</u>		<u>\$ (338,949.54)</u>
Net Change in Fund Balances	\$ (338,949.54)		\$ (338,949.54)
Fund Balance July 1	<u>541,854.00</u>		<u>541,854.00</u>
Fund Balance June 30	<u><u>\$ 202,904.46</u></u>		<u><u>\$ 202,904.46</u></u>

See accompanying Notes to Financial Statements

JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
RECONCILIATION OF 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

Total Net Change in Fund Balances - Governmental Funds \$ (338,949.54)

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:

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

Capital outlay	\$ 42,491.41	
Depreciation expense	<u>(32,950.14)</u>	9,541.27

Net pension obligation related to PERS which is attributable to June 30, 2015 not reported in governmental funds; however, it is reported in the statement of activities (187,381.00)

In the statement of activities, certain operating expenses, e.g. compensated absences (sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. (1,850.00)

Change in Net Position of Governmental Activities (A-2) \$ (518,639.27)

See accompanying Notes to Financial Statements

**PROPRIETARY FUNDS –
ENTERPRISE FUNDS**

JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
PROPRIETARY FUND
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>ASSETS</u>	Business-Type Activities - Enterprise Fund		Total Enterprise Fund
	<u>Food Service</u>	<u>After Care Program</u>	
Current Assets:			
Cash and cash equivalents		\$ 52,402.55	\$ 52,402.55
Accounts receivable:			
State sources	\$ 582.44		582.44
Federal sources	42,730.81		42,730.81
Total Current Assets	\$ 43,313.25	\$ 52,402.55	\$ 95,715.80
 Total Assets	\$ 43,313.25	\$ 52,402.55	\$ 95,715.80
<u>LIABILITIES</u>			
Current liabilities:			
Cash and cash equivalent overdraft	\$ 4,905.44		\$ 4,905.44
Interfund payable - general fund		\$ 44,387.00	44,387.00
Accounts payable	21,396.10		21,396.10
Total current liabilities	\$ 26,301.54	44,387.00	\$ 70,688.54
<u>NET POSITION</u>			
Unrestricted	\$ 17,011.71	8,015.55	25,027.26
Total Net Position	\$ 17,011.71	8,015.55	\$ 25,027.26

See accompanying Notes to Financial Statements

JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Fund		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Total</u>
Operating Revenues:			
Local Sources:			
Daily sales - reimbursable programs:			
School lunch, breakfast and milk program	\$ 60,123.41		\$ 60,123.41
Daily sales - non-reimbursable programs		\$ 13,123.55	\$ 13,123.55
Total operating revenues	<u>\$ 60,123.41</u>	<u>\$ 13,123.55</u>	<u>\$ 73,246.96</u>
Operating Expenses:			
Cost of sales	\$ 110,223.40		\$ 110,223.40
Salaries	14,462.05	\$ 44,387.00	58,849.05
General supplies	1,200.00		1,200.00
Total operating expenses	<u>\$ 125,885.45</u>	<u>\$ 44,387.00</u>	<u>\$ 170,272.45</u>
Operating income/(loss)	<u>\$ (65,762.04)</u>	<u>\$ (31,263.45)</u>	<u>\$ (97,025.49)</u>
Nonoperating revenues:			
State sources:			
State school lunch program	\$ 1,451.22		\$ 1,451.22
Federal sources:			
National school lunch program	81,249.51		81,249.51
School breakfast program	37,832.02		37,832.02
Total nonoperating revenues	<u>\$ 120,532.75</u>		<u>\$ 120,532.75</u>
Income/(loss) before contributions and transfers	\$ 54,770.71	\$ (31,263.45)	\$ 23,507.26
Change in net position	54,770.71	(31,263.45)	23,507.26
Total net position - beginning	<u>(37,759.00)</u>	<u>39,279.00</u>	<u>1,520.00</u>
Total net position - ending	<u>\$ 17,011.71</u>	<u>\$ 8,015.55</u>	<u>\$ 25,027.26</u>

See accompanying Notes to Financial Statements

JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Total Enterprise Fund</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers	\$ 60,123.41	\$ 13,123.55	\$ 73,246.96
Payments to Employees	(14,462.05)		(14,462.05)
Payments to Suppliers	<u>(100,643.90)</u>		<u>(100,643.90)</u>
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (54,982.54)</u>	<u>\$ 13,123.55</u>	<u>\$ (41,858.99)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
State Sources	\$ 1,197.33		\$ 1,197.33
Federal Sources	<u>98,561.26</u>		<u>98,561.26</u>
Net Cash Provided by/(Used for) Noncapital Financing Activities	<u>\$ 99,758.59</u>		<u>\$ 99,758.59</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Transfers to Other Funds	<u>\$ (117,645.00)</u>		<u>\$ (117,645.00)</u>
Net Cash Provided by/(Used for) Investing Activities	<u>\$ (117,645.00)</u>		<u>\$ (117,645.00)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (72,868.95)	\$ 13,123.55	\$ (59,745.40)
Balances - Beginning of Year	<u>67,963.51</u>	<u>39,279.00</u>	<u>107,242.51</u>
Balances - End of Year	<u>\$ (4,905.44)</u>	<u>\$ 52,402.55</u>	<u>\$ 47,497.11</u>
<u>Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities</u>			
Operating Gain/(Loss)	<u>\$ (65,762.04)</u>	<u>\$ (31,263.45)</u>	<u>\$ (97,025.49)</u>
Adjustments to Reconcile Operating Loss to Cash Provided/ (Used) by Operating Activities:			
(Decrease) in Interfund Payable		\$ 44,387.00	\$ 44,387.00
Increase in Accounts Payable	<u>\$ 10,779.50</u>		<u>10,779.50</u>
Total Adjustments	<u>\$ 10,779.50</u>	<u>\$ 44,387.00</u>	<u>\$ 55,166.50</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (54,982.54)</u>	<u>\$ 13,123.55</u>	<u>\$ (41,858.99)</u>

See accompanying Notes to Financial Statements

FIDUCIARY FUNDS

JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Trust</u>	<u>Agency Fund</u>		<u>Total Fiduciary Funds</u>
	<u>Flexible Spending Account</u>	<u>Student Activity</u>	<u>Payroll</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>12,371.57</u>	\$ <u>2,049.14</u>	\$ <u>127,479.66</u>	\$ <u>141,900.37</u>
Total Assets	\$ <u><u>12,371.57</u></u>	\$ <u><u>2,049.14</u></u>	\$ <u><u>127,479.66</u></u>	<u><u>141,900.37</u></u>
<u>LIABILITIES</u>				
Payable to Student Groups		\$ 2,049.14		\$ 2,049.14
Payroll Deductions and Withholdings			\$ <u>127,479.66</u>	<u>127,479.66</u>
Total Liabilities		\$ <u><u>2,049.14</u></u>	\$ <u><u>127,479.66</u></u>	\$ <u><u>129,528.80</u></u>
<u>NET POSITION</u>				
Held in Trust for Unemployment Claims and Other Purposes	\$ <u>12,371.57</u>			\$ <u>12,371.57</u>
Total Net Position	\$ <u><u>12,371.57</u></u>			\$ <u><u>12,371.57</u></u>

See accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

John P. Holland Charter School (the "Charter School") was incorporated in the State of New Jersey on January 26, 2011 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 Principal/Chief School Administrator is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing 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 no 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 matter. 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 John P. Holland 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 character school to serve as a neighborhood resource and as a model for other similar schools. The John P. Holland Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of John P. Holland 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. 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 John P. Holland 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.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

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.

1. 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 business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation (Continued)

1. Charter School Government-Wide Financial Statements (Continued)

The government 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.

2. 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.

1. 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 School's major governmental funds:

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

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

As required by the New Jersey State 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 grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2016 there was no Capital Projects Fund.

2. 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 similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

2. Proprietary Funds (Continued)

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

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

3. 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 involve 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.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (continued)

1. Measurement Focus

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

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

2. 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.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County Office and the Education Commissioner for approval. Budget 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 Special Revenue Fund as noted below.

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

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

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.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalent and Investments (Continued)

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

F. Short-Term Interfund Receivables/Payables

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

G. Inventories and Prepaid Expenses

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

H. Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

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

<u>Description of Capital Asset</u>	<u>Estimated Lives (Years)</u>
Leasehold Improvements	2
Equipment	5

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a 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 a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements. An assumed rate of \$100.00 per day for unused time at June 30, 2016 was utilized.

The Charter School has compensated absences of \$68,450 as of June 30, 2016.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in 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 in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K. Unearned Revenue

Unearned revenue in Special Revenue Fund represent cash that has been received but not yet earned.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (5) categories, as defined below:

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

When both restricted and unrestricted resources are available for use, it is the 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.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net position to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements. Net Position represents the difference between assets, deferred outflows, deferred inflows and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. Management Estimates

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

O. On-Behalf Payments

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

P. Extraordinary and Special Items

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

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the Charter School implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension 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. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

The Charter School has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB 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 nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

R. Other Accounting Standards

The Charter School is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 74. Financial Reporting for Postemployment Benefit Other Than Pension Plans.*

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The Charter School does not expect this Statement to impact its financial statements.

- *GASB Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Charter School does not expect this Statement to impact its financial statements.

- *GASB Statement No. 76. The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The Charter School does not expect this Statement to impact its financial statements.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Other Accounting Standards (Continued)

- *GASB Statement No. 77. Tax Abatement Disclosures.*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Charter School does not expect this Statement to impact its financial statements.

- *GASB Statement No. 78. Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Charter School does not expect this Statement to impact its financial statements.

- *GASB Statement No. 82. Pension Issues – an amendment of GASB Statements No. 67, No. 38 and No. 73*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement data of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The Charter School does not expect this statement to impact its financial statements

S. Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report, December 2, 2016, which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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:

	<u>Cash and cash Equivalents</u>
Reconciliation:	
Governmental Funds	\$ 416,644.63
Proprietary Funds	81,484.27
Fiduciary Funds	156,593.69
	\$ 654,722.59

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2016, the Charter School's carrying amount of deposits was \$654,722.59. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2016 were secured by federal deposit insurance and \$404,722.59 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with New Jersey Governmental Unit Deposit protection Act ("GUDPA").

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

3. DEPOSITS AND INVESTMENTS (CONTINUED)

A. Establishment of an Escrow Account

In the prior year, the Charter School established and partially funded an Escrow Account pursuant to an agreement signed by the New Jersey Department of Education. The required maximum is \$75,000 and the Charter School funded \$25,000. The balance of \$50,000 will be funded in the ensuing years. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur".

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

Category 1 – Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name.

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

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

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

B. 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 security that would be deemed an investment under GASB #3/#40 as amended.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

4. RECEIVABLES

Receivables as of June 30, 2016 consisted of intergovernmental, grants and miscellaneous items. All receivables are considered collectable in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>Government Fund</u> <u>Financial Statements</u>	<u>Business Type</u> <u>Activities</u>
General Fund:		
State Aid:		
Local District Equalization Aid	\$ 4,062.48	
TPAF FICA Reimbursement	<u>131,018.02</u>	
	<u>\$ 135,080.50</u>	
Special Revenue Fund:		
Federal Aid:		
Title II Part A	227.00	
IDEA Part B	<u>13,946.00</u>	
Total Federal Aid	<u>\$ 14,173.00</u>	
	<u>\$ 149,253.50</u>	
Proprietary Fund:		
Enterprise Fund		
State Sources:		
Lunch ^(A)		<u>\$ 582.44</u>
Federal Sources:		
Breakfast		\$ 6,239.45
Lunch ^(A)		<u>36,491.36</u>
		<u>\$ 42,730.81</u>
		<u>\$ 43,313.25</u>

^(A) Includes a receivable from the Federal and State Sources for reimbursement related to period ended June 30, 2015. The receivable is deemed fully collectible by management.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

5. CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2016:

Governmental activities Capital Assets, being depreciated:	Beginning Balance	Net Additions (Deletions)	Ending Balance
Equipment	\$ 116,959	\$ 42,491	\$ 159,450
Leasehold improvements	39,488		39,488
	<u>\$ 156,447</u>	<u>\$ 42,491</u>	<u>\$ 198,938</u>
Less accumulated depreciation for:			
Equipment	\$ (105,224)	\$ (13,206)	\$ (118,430)
Leasehold Improvements	(19,744)	(19,744)	(39,488)
	<u>\$ (124,968)</u>	<u>\$ (32,950)</u>	<u>\$ (157,918)</u>
Total capital assets net	<u>\$ 31,479</u>	<u>\$ 9,541</u>	<u>\$ 41,020</u>

Depreciation expense of \$32,950 was charged to an unallocated function.

6. LEASE OBLIGATION

A. Facility Lease

The Charter School leases its facilities under an operating lease agreement at 190 Oliver Street, Paterson, New Jersey – a two year lease which commenced July 1, 2011 through June 30, 2013 with a mutual extension options. The options were exercised for three years 2013-2014 through 2015-2016. The leased space houses all classrooms and administrative offices. Base annual rent for 2015-2016 was \$249,922.96.

Future minimum lease payments required under both operating leases are as follows:

<u>Year ending June 30,</u>	<u>Space Lease</u>
2017	\$ 254,816
2018	-
2019	-
	<u>\$ 254,816</u>

There is a security deposit of \$36,004.00 on the lease being held.

B. Equipment Lease

The Charter School leases several office equipment items under operating lease agreements.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS

Basic Financial Statements

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 that 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 Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF): The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A.18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 61 and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employees' Retirement System (PERS): The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 61 and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

**JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

7. PENSION PLANS (CONTINUED)

Funding Policy: The contribution policy is set by New Jersey Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

During the year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension costs equals annual required contribution. For PERS, which is a cost sharing multi-employer pension plan, the annual pension costs differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Three-Year Trend Information for PERS

<u>Fiscal Year Ended June 30,</u>	<u>Net Cost to District</u>	<u>Percentage of APC Contributed</u>	<u>Employee Contribution</u>
2016	\$ 43,229	100%	\$ 23,604
2015	26,227	100%	26,775
2014	None	100%	19,488

Three-Year Trend Information for TPAF (Paid on-behalf of the Charter School)

<u>Fiscal Year Ended June 30</u>	<u>Pension Paid on-behalf of District</u>				
	<u>Cost (APC)</u>	<u>APC Contributed</u>	<u>Total On-Behalf of</u>	<u>Employee Contribution</u>	<u>TPAF FICA</u>
2016	\$ None	100%	\$ 89,340.00	\$ 71,549	\$ 73,435.67
2015	None	100%	38,056.00	72,638	79,535.00
2014	None	100%	None	70,614	90,895.00

During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$89,340 to the TPAF for normal pension. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$73,436 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. This amount has been included in the basic financial statements, and the individual fund statements and schedules as a revenue and expenditure in accordance with GASB 24.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Funding Policy (Continued):

Legislation enacted during 1993 provided early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Board assumed the increased cost for the early retirement as it affected their Charter School.

Charter School-Wide Financial Statements

Public Employees Retirement System (PERS)

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2015 and 2014 Independent Auditor's Report dated April 14, 2016 and November 13, 2015, respectively.

At June 30, 2016 and June 30, 2015, the Charter School reported a liability of \$1,128,797 and \$595,645, respectively, 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 used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Charter Schools, actuarially determined.

	June 30,	
	<u>2015</u>	<u>2014</u>
Charter School Proportionate Share	0.0050281960 %	0.0031813997 %
Difference - Increase	0.0018467963 %	

For the year ended June 30, 2016, the Charter School recognized pension expense of \$187,381. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 121,217	
Difference between expected and actual experience	26,928	
Net difference between projected and actual earnings on pension plan investments		\$ 18,148
Changes in proportion	712,551	
District contributions subsequent to the measurement date	<u>53,962</u>	
Total	<u>\$ 914,658</u>	<u>\$ 18,148</u>

The \$53,962 reported as deferred outflows of resources related to pensions resulting from school 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 in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2016	\$ 23,666
2017	23,666
2018	23,666
2019	37,692
2020	21,307

Additional Information

Collective balances are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$ 5,823,297,595	\$ 1,452,705,538
Collective deferred inflows of resources	1,215,190,347	2,146,719,012
Collective net pension liability (Local Group)	22,447,996,119	20,127,103,950
Collective net pension liability	46,170,131,656	38,849,838,953
Charter School's proportion (Local Group)	0.0050281960 %	0.0031813997 %

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

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 rolled forward to June 30, 2015. The total pension liability for the July 1, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Table (setback three years for males and setback one year for females) are used to value disabled retirees.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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:

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00 %	1.04 %
U.S. 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 U.S. Equities	27.25	8.52
Developed Foreign Markets	12.00	6.88
Emerging Market Equities	6.40	10.00
Private Equity	9.25	12.41
Hedge Funds/Absolute Returns	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
	<u>100.00 %</u>	

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 3.80% 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.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Sensitivity of The Collective Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 and the June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

		June 30, 2015		
		At Current		
		1% Decrease	Discount Rate	1% Increase
		<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
Charter School's proportionate share of the pension liability	\$	1,402,872	\$ 1,128,729	\$ 898,890
		June 30, 2014		
		At Current		
		1% Decrease	Discount Rate	1% Increase
		<u>4.39%</u>	<u>5.39%</u>	<u>6.39%</u>
Charter School's proportionate share of the pension liability	\$	758,387	\$ 595,645	\$ 466,579

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Teachers Pensions and Annuity Fund (TPAF)

Data for the TPAF was abstracted from the State of New Jersey Teachers' Pension and Annuity Fund Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer as of June 30, 2015 and 2014 Independent Auditor's Reports dated July 28, 2016 and November 13, 2015, respectively.

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

The portion of the TPAF Net Pension Liability that was associated with the Charter School recognized at June 30, 2015 was as follows:

Net Pension Liability:

Charter School's proportionate share	None
State's proportionate share associated with the District	\$ 4,449,018.00
	\$ 4,449,018.00

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The net pension liability associated with the Charter School was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Charter Schools and the State, actuarially determined. At June 30, 2015, the proportion of the TPAF net pension liability associated with the Charter School was .007039109%.

For the year ended June 30, 2016 and June 30, 2015, the Charter School recognized on-behalf pension expense and revenue of \$271,653 and \$178,004, respectively, for contributions provided by the State.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

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

Mortality Rates

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.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% as of June 30, 2015) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the table as follows:

<u>Asset 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
Foreign-Developed Equity	12.00	6.22
Emerging Markets 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
	<u>100.00 %</u>	

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. PENSION PLANS (CONTINUED)

Charter School-Wide Financial Statements (Continued)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the 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 3.80% 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. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability,

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Because the Charter School's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the Charter School.

8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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 eligible for 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 Chapter 62, P.L. 1994. Funding of post-retirement medical premiums 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 Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.10 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

8. POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

Three-Year Trend Information for TPAF Medical (Paid on-behalf of the District)

Fiscal Year Ended <u>June 30,</u>	<u>Post-Retirement Medical</u>
2016	\$ 106,379
2015	60,413
2014	None

9. INTERGOVERNMENTAL ACCOUNTS PAYABLE

The Charter School's Special Revenue Fund reflects \$358,749.49 that remains due to the local district and federal government for the period ended June 30, 2016.

General Fund:	
Due to Local School District	\$ 342,418.49
Special Revenue Fund:	
Title I	\$ 9,755.00
Title II	2,687.00
IDEA	3,889.00
	\$ 16,331.00
	\$ 358,749.49

10. DEFERRED COMPENSATION

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

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

11. ECONOMIC DEPENDENCY

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

12. CONTINGENT LIABILITIES

- A. Grant Programs** – The Charter School participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Charter School is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.
- B. Pending Litigation** – The Charter School's attorney advises that there are two (2) outstanding lawsuits filed by former employees for wrongful termination that are in the discovery phase. The Charter School intended to vigorously contest the lawsuits.
- C. Commitments** – The Charter School has no contractual commitments at June 30, 2016 in the general fund as fund balance assigned for other purposes.

13. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage of, 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.

New Jersey Unemployment Compensation – The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The following table is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and ending balance of the Charter School's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>
2015-2016	\$ -	\$ 11,901	\$ 11,901
2014-2015	-	6,881	6,881
2013-2014	7,209	5,478	12,687

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund balances as of June 30, 2016 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 44,387	\$ -
Enterprise Fund		44,387

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

15. FUND BALANCE APPROPRIATED – GENERAL FUND (EXHIBIT B-1)

Of the \$202,904.46 General Fund balance at June 30, 2016, \$25,000.00 is restricted for charter schools cash escrow account as required by an agreement with New Jersey Department of Education, \$177,904.46 is unassigned.

16. RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period:

The Charter school adopted GASB No. 68 – *Accounting and Financial Reporting for Pensions – An amendment of GASB No. 27* during the 2016 fiscal year as required by the pronouncement.

The pronouncement requires the Charter School to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2016 and to record related pension expense in accordance with the pronouncement.

In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the Charter School was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2015 (as described in Note 7), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance to GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*, The Charter School restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

Government Activities Net Position:

Net position (per A-1) as of June 30, 2015	\$ 500,762
Restatement of net pension liability	(43,229)
Restatement of deferred outflows	17,002
Restatement of long-term liability	<u>(66,600)</u>
Net position (per A-1) as of June 30, 2015, as restated	<u>\$ 407,935</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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 District Contributions		\$ 346,847.00	\$ 346,847.00	\$ 352,169.00	\$ 5,322.00
Miscellaneous	\$ 10,000.00		10,000.00	3,001.90	(6,998.10)
Total - local sources	<u>10,000.00</u>	<u>346,847.00</u>	<u>356,847.00</u>	<u>355,170.90</u>	<u>(1,676.10)</u>
State sources:					
Equalization Aid	2,458,907.00	(346,847.00)	2,112,060.00	2,088,747.00	(23,313.00)
Special Education Aid	45,318.00		42,809.00	42,809.00	
Security Aid	88,115.00		86,104.00	86,104.00	
On behalf - TPAF - pension contributions (non budgeted)				89,340.00	89,340.00
On behalf - TPAF - post retirement medical (non budgeted)				106,379.00	106,379.00
Reimbursed TPAF social security contributions (non budgeted)				73,435.67	73,435.67
Total - state sources	<u>2,592,340.00</u>	<u>(346,847.00)</u>	<u>2,240,973.00</u>	<u>2,486,814.67</u>	<u>245,841.67</u>
TOTAL REVENUES	<u>\$ 2,602,340.00</u>		<u>\$ 2,597,820.00</u>	<u>\$ 2,841,985.57</u>	<u>\$ 244,165.57</u>

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular programs - instruction:					
Salaries of teachers:					
Kindergarten	\$ 53,885.00	\$ (53,885.00)			
Grades 1 - 5	317,475.00	226,558.04	\$ 544,033.04	\$ 544,033.04	
Grades 6 - 8	475,239.00	(163,344.41)	311,894.59	311,894.59	
	<u>846,599.00</u>	<u>9,328.63</u>	<u>855,927.63</u>	<u>855,927.63</u>	
Regular programs - undistributed instruction:					
Other salaries for instruction	193,362.00	(143,105.07)	50,256.93	47,301.93	\$ 2,955.00
Purchased professional - technical services	92,000.00	(3,525.80)	88,474.20	86,544.20	1,930.00
Other purchased services (400-500 series)	105,000.00	(100,072.00)	4,928.00	4,928.00	
General educational supplies	69,600.00	(49,187.56)	20,412.44	20,412.44	
Textbooks	40,000.00	(38,871.01)	1,128.99	1,128.99	
Miscellaneous expenses	4,356.00	15,477.56	19,833.56	19,833.56	
	<u>504,318.00</u>	<u>(319,283.88)</u>	<u>185,034.12</u>	<u>180,149.12</u>	<u>4,885.00</u>
Total regular programs - undistributed instruction					
	<u>1,350,917.00</u>	<u>(309,955.25)</u>	<u>1,040,961.75</u>	<u>1,036,076.75</u>	<u>4,885.00</u>
Special education - instruction:					
Other purchased services		85,954.00	85,954.00	85,954.00	
Total Instruction	<u>1,350,917.00</u>	<u>(224,001.25)</u>	<u>1,126,915.75</u>	<u>1,122,030.75</u>	<u>4,885.00</u>
ADMINISTRATIVE COST:					
General administration:					
Salaries	393,509.00	20,495.46	414,004.46	414,004.46	
Benefit costs:					
Group insurance	15,000.00	(14,490.00)	510.00	510.00	
Social security	70,000.00	2,418.03	72,418.03	72,418.03	
Retirement		49,455.64	49,455.64	49,455.64	
NJ unemployment	25,000.00	(17,305.41)	7,694.59	7,694.59	
Workman's comp	45,000.00	16,548.36	61,548.36	35,583.00	25,965.36
Health benefits	173,760.00	3,041.85	176,801.85	176,801.85	
Rentals		11,861.08	11,861.08	11,861.08	
Professional/Technical service		13,210.50	13,210.50	13,210.50	
Legal Fees	8,000.00	13,645.43	21,645.43	21,645.43	

**JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONTINUED):					
ADMINISTRATIVE COST (CONTINUED):					
General administration (Continued):					
Audit Fees	\$ 15,000.00	\$ (5,062.00)	\$ 9,938.00	\$ 9,938.00	
Other purchased services (400-500)	18,000.00	24,332.61	42,332.61	42,332.61	
Other Professional Services		75,078.00	75,078.00	75,078.00	
Communications and telephones	25,066.00	(11,949.51)	13,116.49	13,116.49	
Supplies and materials	1,500.00	12,331.85	13,831.85	13,831.85	
Miscellaneous expenditures		5,220.08	5,220.08	5,220.08	
Student Transportation	1,500.00	2,795.00	4,295.00	4,295.00	
	<u>791,335.00</u>	<u>201,626.97</u>	<u>992,961.97</u>	<u>966,996.61</u>	<u>\$ 25,965.36</u>
Total administrative costs - general administration					
Reimbursed TPAF - social security (non-budgeted)				73,435.67	(73,435.67)
TPAF post retirement medical benefits (non budgeted)				106,379.00	(106,379.00)
TPAF - pension contributions (non budgeted)				89,340.00	(89,340.00)
				<u>269,154.67</u>	<u>(269,154.67)</u>
Total on behalf - Contributions					
Total administrative costs	<u>791,335.00</u>	<u>201,626.97</u>	<u>992,961.97</u>	<u>1,236,151.28</u>	<u>(243,189.31)</u>
SUPPORT SERVICES:					
Salaries	197,105.00	66,051.97	263,156.97	221,724.97	41,432.00
Purchased prof/tech service		2,801.43	2,801.43	2,801.43	
Other purchased services	114,000.00	45,088.95	159,088.95	159,088.95	
Rent on land and buildings	378,000.00	(123,183.96)	254,816.04	254,816.04	
Insurance-fidelity, liability property	25,000.00	(12,992.00)	12,008.00	12,008.00	
Supplies and materials	8,000.00	(3,817.92)	4,182.08	4,182.08	
Energy & Utilities	55,000.00	(6,411.52)	48,588.48	48,588.48	
Cleaning, Repair & Maintenance Service	60,000.00	17,051.72	77,051.72	77,051.72	
	<u>837,105.00</u>	<u>(15,411.33)</u>	<u>821,693.67</u>	<u>780,261.67</u>	<u>41,432.00</u>
Total support services - general administration					
CAPITAL OUTLAY:					
Non-instructional equipment		42,491.41	42,491.41	42,491.41	
		<u>42,491.41</u>	<u>42,491.41</u>	<u>42,491.41</u>	
Total capital outlay					
TOTAL EXPENDITURES	<u>\$ 2,979,357.00</u>	<u>\$ 4,705.80</u>	<u>\$ 2,984,062.80</u>	<u>\$ 3,180,935.11</u>	<u>\$ 72,282.36</u>

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess/(deficiency) of revenues over/(under) expenditures	\$ <u>(377,017.00)</u>	\$ <u>(4,705.80)</u>	\$ <u>(386,242.80)</u>	\$ <u>(338,949.54)</u>	\$ <u>171,883.21</u>
Other financing sources/(uses):					
Operating Transfer Out:					
Total other financing sources/(uses)	_____	_____	_____	_____	_____
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing sources/(uses)	\$ <u>(377,017.00)</u>	\$ <u>(4,705.80)</u>	\$ <u>(386,242.80)</u>	\$ <u>(338,949.54)</u>	\$ <u>171,883.21</u>
Fund balance, July 1, 2015	<u>541,854.00</u>	_____	<u>541,854.00</u>	<u>541,854.00</u>	_____
Fund balance, June 30, 2016	<u>\$ 164,837.00</u>	<u>\$ (4,705.80)</u>	<u>\$ 155,611.20</u>	<u>\$ 202,904.46</u>	<u>\$ 171,883.21</u>
Recapitulation of Fund Balance:					
Legal Reserve				\$ 25,000.00	
Unassigned				<u>177,904.46</u>	
				<u>\$ 202,904.46</u>	

**JOHN P. HOLLAND CHARTER SCHOOL
 COUNTY OF PASSAIC
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES:				
Federal Sources	\$ 193,573.00	\$ 12,168.00	\$ 205,741.00	\$ 205,741.00
Local Sources		<u>12,800.00</u>	<u>12,800.00</u>	<u>12,800.00</u>
Total Revenues	<u>\$ 193,573.00</u>	<u>\$ 24,968.00</u>	<u>\$ 218,541.00</u>	<u>\$ 218,541.00</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	\$ 164,461.00	\$ (16,748.00)	\$ 147,713.00	\$ 147,713.00
General Supplies		<u>24,083.00</u>	<u>24,083.00</u>	<u>24,083.00</u>
Total Instruction	<u>\$ 164,461.00</u>	<u>\$ 7,335.00</u>	<u>\$ 171,796.00</u>	<u>\$ 171,796.00</u>
Support Services:				
Salaries		\$ 7,526.00	\$ 7,526.00	\$ 7,526.00
Personal Services - Employee Benefits	\$ 29,112.00	5,879.00	34,991.00	34,991.00
Purchased Professional and Technical Services		<u>4,228.00</u>	<u>4,228.00</u>	<u>4,228.00</u>
Total Support Services	<u>\$ 29,112.00</u>	<u>\$ 17,633.00</u>	<u>\$ 46,745.00</u>	<u>\$ 46,745.00</u>
Total Expenditures	<u>\$ 193,573.00</u>	<u>\$ 24,968.00</u>	<u>\$ 218,541.00</u>	<u>\$ 218,541.00</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	C-1 \$ 2,841,985.57	C-2 \$ 218,541.00
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
June 30, 2015	None	None
June 30, 2016	None	None
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	None	None
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>None</u>	<u>None</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	B-2 \$ <u>2,841,985.57</u>	B-2 \$ <u>218,541.00</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	C-1 \$ 3,180,935.11	C-2 \$ 218,541.00
Difference - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order are placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
June 30, 2015	None	None
June 30, 2016	<u>None</u>	<u>None</u>
Total expenditures as reported on the statement of revenues, expenditures, and change in fund balance - governmental funds.	B-2 \$ <u>3,180,935.11</u>	B-2 \$ <u>218,541.00</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASAIC
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST THREE (3) FISCAL YEAR *

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	0.0000000000 %	0.0031813997 %	0.00502819600 %
District's proportionate share of the net pension liability (asset)	\$ -	\$ 595,645	\$ 1,128,727
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00	207.23	335.52
Plan fiduciary net position as a percentage of the total pension liability	52.08	48.72	47.92
District's covered-payroll	\$ 148,648	\$ 287,433	\$ 336,412
District's covered-employee payroll	\$ 198,197	\$ 383,244	\$ 448,549

* The amounts presented for each fiscal year were determined as of the fiscal year-end.

Note: Only the last three (3) years of information are presented as GASB 68 was implemented during fiscal year ended June 30, 2015. Eventually a full ten (10) years schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - There were none.

Changes of Assumptions - The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST THREE (3) FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	None	\$ 26,227	\$ 43,229
Contributions in relation to the contractually required contribution	None	\$ 26,227	\$ 43,229
Contribution deficiency (excess)	<u>None</u>	<u>None</u>	<u>None</u>
District's covered-payroll	\$ 148,648	\$ 287,433	\$ 336,412
District's covered-employee payroll	\$ 198,197	\$ 383,244	\$ 448,549
Contributions as a percentage of covered-employee payroll	N/A	9.12	12.85

Note: Only the last three (3) years of information are presented as GASB 68 was implemented during fiscal year ended June 30, 2015. Eventually a full ten (10) years schedule will be compiled.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS PENSION AND ANNUITY FUND (TPAF)
LAST THREE (3) FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	None	None	0.0070391090 %
District's proportionate share of the net pension liability (asset)	None	None	None
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	\$ -	\$ 4,449,018
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,449,018</u>
District's covered-payroll	\$ 443,672	\$ 1,045,501	\$ 1,010,436
District's covered-employee payroll	\$ 591,562	\$ 1,394,000	\$ 1,347,248
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	None	None
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	28.71%

Notes to Required Supplementary Information:

Benefit Changes - There were none.

Changes of Assumptions - The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES

NOT APPLICABLE

SPECIAL REVENUE FUND

JOHN P HOLLAND CHARTER SCHOOL
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Title I A</u>	<u>Title IIA</u>	<u>I.D.E.A.</u>	<u>Francis R Dewing</u>	<u>Totals</u>
REVENUES:					
State sources					
Federal sources	\$ 150,534.00	\$ 4,228.00	\$ 50,979.00		\$ 205,741.00
Local sources				\$ 12,800.00	12,800.00
	<u>\$ 150,534.00</u>	<u>\$ 4,228.00</u>	<u>\$ 50,979.00</u>	<u>\$ 12,800.00</u>	<u>\$ 218,541.00</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 109,989.00		\$ 37,724.00		\$ 147,713.00
General supplies	<u>7,836.00</u>		<u>3,447.00</u>	\$ 12,800.00	<u>24,083.00</u>
	<u>\$ 117,825.00</u>		<u>\$ 41,171.00</u>	<u>\$ 12,800.00</u>	<u>\$ 171,796.00</u>
Support services:					
Salaries of Supervisors of Instruction	\$ 7,526.00				\$ 7,526.00
Personal services-employee benefits	25,183.00		\$ 9,808.00		34,991.00
Purchased professional/technical services		<u>\$ 4,228.00</u>			<u>4,228.00</u>
	<u>\$ 32,709.00</u>	<u>\$ 4,228.00</u>	<u>\$ 9,808.00</u>		<u>\$ 46,745.00</u>
Facilities acquisition and construction services:					
Instructional equipment					
Total facilities acquisition and construction services					
Total expenditures	<u>\$ 150,534.00</u>	<u>\$ 4,228.00</u>	<u>\$ 50,979.00</u>	<u>\$ 12,800.00</u>	<u>\$ 218,541.00</u>

CAPITAL PROJECTS FUND

NOT APPLICABLE

**PROPRIETARY FUNDS –
ENTERPRISE FUND
(REFER TO EXHIBITS B-4 THROUGH B-6)**

FIDUCIARY FUNDS

BOARD OF EDUCATION
JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance July 1, <u>2015</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance June 30, <u>2016</u>
School:				
Cash and Cash Equivalents	\$ <u>1,893.55</u>	\$ <u>64,983.22</u>	\$ <u>64,827.63</u>	\$ <u>2,049.14</u>
Total	\$ <u><u>1,893.55</u></u>	\$ <u><u>64,983.22</u></u>	\$ <u><u>64,827.63</u></u>	\$ <u><u>2,049.14</u></u>

BOARD OF EDUCATION
JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2016</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>78,871.53</u>	\$ <u>2,004,019.26</u>	\$ <u>1,955,411.13</u>	\$ <u>127,479.66</u>
Total Assets	\$ <u><u>78,871.53</u></u>	\$ <u><u>2,004,019.26</u></u>	\$ <u><u>1,955,411.13</u></u>	\$ <u><u>127,479.66</u></u>
<u>LIABILITIES</u>				
Payroll Deductions	\$ <u>78,871.53</u>	\$ <u>2,004,019.26</u>	\$ <u>1,955,411.13</u>	\$ <u>127,479.66</u>
Total Liabilities	\$ <u><u>78,871.53</u></u>	\$ <u><u>2,004,019.26</u></u>	\$ <u><u>1,955,411.13</u></u>	\$ <u><u>127,479.66</u></u>

BOARD OF EDUCATION
JOHN P HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
FLEXIBLE SPENDING ACCOUNT
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2016</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>4,251.28</u>	\$ <u>71,519.90</u>	\$ <u>63,399.61</u>	\$ <u>12,371.57</u>
Total Assets	\$ <u><u>4,251.28</u></u>	\$ <u><u>71,519.90</u></u>	\$ <u><u>63,399.61</u></u>	\$ <u><u>12,371.57</u></u>
<u>LIABILITIES</u>				
Payroll Deductions	\$ <u>4,251.28</u>	\$ <u>71,519.90</u>	\$ <u>63,399.61</u>	\$ <u>12,371.57</u>
Total Liabilities	\$ <u><u>4,251.28</u></u>	\$ <u><u>71,519.90</u></u>	\$ <u><u>63,399.61</u></u>	\$ <u><u>12,371.57</u></u>

LONG-TERM DEBT

NOT APPLICABLE

STATISTICAL TABLES (SECTION)
(UNAUDITED)

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
INTRODUCTION TO STATISTICAL TABLES (SECTION)
(UNAUDITED)

<u>Contents</u>	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-5
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-6 to J-9
Debt Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-10 to J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 & J-15
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20

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

FINANCIAL TRENDS

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
NET POSITION BY COMPONENT
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Governmental activities					
Invested in capital assets, net of related debt	\$ 90,430	\$ 73,478	\$ 60,180	\$ 31,479	\$ 41,020
Restricted	25,000	25,000	25,000	25,000	25,000
Unrestricted (Deficit)	260,657	652,451	523,547	444,283	(176,724)
Total governmental activities net position	<u>\$ 376,087</u>	<u>\$ 750,929</u>	<u>\$ 608,727</u>	<u>\$ 500,762</u>	<u>\$ (110,704)</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	13,286	476	48,274	1,521	25,027
Total business-type activities net position	<u>\$ 13,286</u>	<u>\$ 476</u>	<u>\$ 48,274</u>	<u>\$ 1,521</u>	<u>\$ 25,027</u>
School-wide					
Invested in capital assets, net of related debt	\$ 90,430	\$ 73,478	\$ 60,180	\$ 31,479	\$ 41,020
Restricted	25,000	25,000	25,000	25,000	25,000
Unrestricted (Deficit)	273,943	652,927	475,273	445,804	(151,027)
Total district net position	<u>\$ 389,373</u>	<u>\$ 751,405</u>	<u>\$ 560,453</u>	<u>\$ 502,283</u>	<u>\$ (85,007)</u>

Source: CAFR Exhibit A-1

Note: GASB requires that ten years of statistical data be presented. However, only five years of data is available. Each year there after, an additional year's data will be included until ten years of data is presented.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
CHANGE IN NET POSITION
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Expenses					
Governmental activities					
Instruction					
Regular	\$ 997,209	\$ 1,351,558	\$ 1,560,174	\$ 1,231,771	\$ 1,437,024
Support services:					
General administration	335,350	551,142	543,229	513,867	866,619
School administrative services	650,822	708,761	1,086,015	1,095,502	1,411,830
Support					13,055
Unallocated depreciation	32,530	35,036	28,701	28,701	32,950
Total governmental activities expenses	<u>2,015,911</u>	<u>2,646,497</u>	<u>3,218,119</u>	<u>2,869,841</u>	<u>3,761,478</u>
Business-type activities:					
Food service	81,605	130,476	204,819	133,851	125,885
Child Care	-		42,475		44,387
Total Business-type activities expense	<u>81,605</u>	<u>130,476</u>	<u>247,294</u>	<u>133,851</u>	<u>170,272</u>
Total charter school expenses	<u>\$ 2,097,516</u>	<u>\$ 2,776,973</u>	<u>\$ 3,465,413</u>	<u>\$ 3,003,692</u>	<u>\$ 3,931,750</u>

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
CHANGE IN NET POSITION
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Program Revenues					
Governmental activities:					
Charges for services:					
Operating grants and contributions	\$ 149,796	\$ 352,305	\$ 347,753	\$ 298,677	\$ 218,541
Total governmental activities program revenues	<u>\$ 149,796</u>	<u>\$ 352,305</u>	<u>\$ 347,753</u>	<u>\$ 298,677</u>	<u>\$ 218,541</u>
Business-type activities:					
Charges for services					
Food service	\$ 1,062	\$ 3,829	\$ 50,864	\$ 37,264	\$ 60,123
Child care	-	-	56,911	24,843	-
Operating grants and contributions	56,641	80,231	90,769	112,157	120,533
Capital grants and contributions	-	-	-	9,382	-
Total business type activities program revenues	<u>57,703</u>	<u>84,060</u>	<u>198,544</u>	<u>183,646</u>	<u>180,656</u>
Total charter school program revenues	<u><u>\$ 207,499</u></u>	<u><u>\$ 436,365</u></u>	<u><u>\$ 546,297</u></u>	<u><u>\$ 482,323</u></u>	<u><u>\$ 399,197</u></u>
Net (Expense)/Revenue					
Governmental activities	\$ (1,866,115)	\$ (2,294,192)	\$ (2,870,366)	\$ (2,571,164)	\$ (3,542,937)
Business-type activities	<u>(23,902)</u>	<u>(46,416)</u>	<u>(48,750)</u>	<u>49,795</u>	<u>10,384</u>
Total charter school-wide net expense	<u><u>\$ (1,890,017)</u></u>	<u><u>\$ (2,340,608)</u></u>	<u><u>\$ (2,919,116)</u></u>	<u><u>\$ (2,521,369)</u></u>	<u><u>\$ (3,532,553)</u></u>

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
CHANGE IN NET POSITION
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
General Revenues and Other Change in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 203,078	\$ 240,004	\$ 282,197	\$ 324,345	\$ 352,169
Grants and contributions	2,043,022	2,431,091	2,508,674	2,635,395	2,669,128
Miscellaneous income	8,951	5,303	3	45,776	3,002
Transfers	(12,849)	-	-	(9,382)	-
Total governmental activities	\$ 2,242,202	\$ 2,676,398	\$ 2,790,874	\$ 2,996,134	\$ 3,024,299
Business-type activities:					
Transfers	\$ 12,849	-	-	9,382	-
Total business-type activities	\$ 12,849	\$ -	\$ -	\$ 9,382	\$ -
Total charter school-wide	\$ 2,255,051	\$ 2,676,398	\$ 2,790,874	\$ 3,005,516	\$ 3,024,299
Change in Net Position					
Governmental activities	\$ 376,087	\$ 382,206	\$ (79,492)	\$ 424,970	\$ (518,638)
Business-type activities	(23,902)	(46,416)	(48,750)	49,795	10,384
Total charter school	\$ 352,185	\$ 335,790	\$ (128,242)	\$ 474,765	\$ (508,254)

Source: CAFR Exhibit A-2

Note: GASB requires that ten years of statistical data be presented. However, only five years of data is available. Each year there after, an additional year's data will be included until ten years of data is presented.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
FUND BALANCES - GOVERNMENTAL FUNDS
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)
(modified accrual basis of accounting)

	Fiscal Year Ending				
	2012	2013	2014	2015	2016
General Fund					
Restricted	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Unassigned	260,657	852,451	551,813	516,854	177,904
Total general fund	<u>\$ 285,657</u>	<u>\$ 877,451</u>	<u>\$ 576,813</u>	<u>\$ 541,854</u>	<u>\$ 202,904</u>
All Other Governmental Funds					
Reserved	\$ -	-	\$ -	-	\$ -
Unreserved, reported in:					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: CAFR Schedule B-1

Note: GASB requires that ten years of statistical data be presented. However, only five years of data is available. Each year there after, an additional year's data will be included until ten years of data is presented.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Revenues					
Tax levy	\$ 203,078	\$ 247,754	\$ 282,197	\$ 324,345	\$ 352,169
Miscellaneous	13,698	5,303	3	45,776	15,802
State sources	2,107,394	2,514,058	2,599,569	2,555,860	2,486,815
Federal sources	80,677	261,588	256,858	298,677	205,741
Total revenue	<u>\$ 2,404,847</u>	<u>3,028,703</u>	<u>3,138,627</u>	<u>3,224,658</u>	<u>3,060,527</u>
Expenditures					
Instruction	\$ 892,551	\$ 1,175,736	\$ 1,242,182	\$ 1,231,771	\$ 1,293,827
Administration	581,386	760,351	1,199,725	1,135,410	1,271,142
Support services	501,077	651,887	636,784	926,880	792,015
Capital outlay	131,327	41,571	126,130	-	42,491
Total expenditures	<u>2,106,341</u>	<u>2,629,545</u>	<u>3,204,821</u>	<u>3,294,061</u>	<u>3,399,475</u>
Net change in fund balances	<u>\$ 298,506</u>	<u>\$ 399,158</u>	<u>\$ (66,194)</u>	<u>\$ (69,403)</u>	<u>\$ (338,948)</u>

Source: CAFR Schedule B-2

Note: GASB requires that ten years of statistical data be presented. However, only five years of data is available. Each year there after, an additional year's data will be included until ten years of data is presented.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	<u>Refund of Prior Years Expenditures</u>	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Miscellaneous</u>	<u>Annual Totals</u>
2012				\$ 13,698	\$ 13,698
2013				5,303	5,303
2014				3	3
2015				45,776	45,776
2016				3,002	3,002

Source: Charter School's records

REVENUE CAPACITY

NOT APPLICABLE

DEBT CAPACITY

**JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2012	-	-	-	-	-	-	0.00%	-	
2013	-	-	-	-	-	-	0.00%	-	
2014	-	-	-	-	-	-	0.00%	-	
2015	-	-	-	-	-	-	0.00%	-	
2016	-	-	-	-	-	-	0.00%	-	

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2012	53,926	\$ 909,947,324	\$ 16,874	13.00%
2013	53,926	909,947,324	16,874	13.00%
2014	53,926	909,947,324	16,874	13.00%
2015	53,926	909,947,324	16,874	13.00%
2016	53,926	909,947,324	16,874	13.00%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented.

^c Per capita personal income by municipality estimated based upon the 2010 Census published by the US Bureau of Economic Analysis 2011-2016 published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
PRINCIPAL EMPLOYERS
CURRENT YEAR
(UNAUDITED)

	2016	
Employer	Employees	Rank
Saint Joseph's Reg. Medical Center	4,700	1
City of Paterson	3,000	2
William Paterson University	1,117	3
Marcal Paper Products	1,000	4
Accurate Box	180	5
Frost King-Thermwell Products	N/A	6
Barnert Hospital	N/A	7
	9,997	

Source:

Website: <http://www.city-data.com/us-cities/The-Northeast/Paterson-Economy.html>

OPERATING INFORMATION

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction					
Regular	8.0	8.0	8.0	8.0	8.0
Special education	1.0	1.0	1.0	1.0	1.0
Vocational	-	-	-	-	-
Other special education	4.0	4.0	4.0	4.0	4.0
Support Services:					
Student & instruction related services	2.2	2.2	2.2	2.2	2.2
General administration	2.0	2.0	2.0	2.0	2.0
School administrative services	-	-	-	-	-
Other administrative services	1.5	1.5	1.5	1.5	1.5
Central services					
Administrative Information Technology	0.6	0.6	0.6	0.6	0.6
Plant operations and maintenance	-	-	-	-	-
Pupil transportation					
Other support services	1.5	1.5	1.5	1.5	1.5
Special Schools					
Food Service	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
Total	<u><u>21.2</u></u>	<u><u>21.2</u></u>	<u><u>21.2</u></u>	<u><u>21.2</u></u>	<u><u>21.2</u></u>

Source: Charter School Personnel Records

**JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
OPERATING STATISTICS
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Attendance			
						Kindergarten	Elementary	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2012	169	2,119,190	12,540	0.00%	11	11:1	11:1	169.0	166.0	0.00%	98.22%
2013	169	2,636,909	15,603	24.43%	11	11:1	11:1	169.0	166.0	65.09%	98.22%
2014	169	3,204,821	18,963	21.54%	11	11:1	11:1	169.0	166.0	60.38%	98.22%
2015	199	3,294,061	16,553	6.09%	11	11:1	11:1	340.0	333.0	60.38%	97.94%
2016	199	3,356,985	16,869	1.91%	11	11:1	11:1	194.0	183.0	94.55%	94.33%

Sources: District records

Note: Enrollment based on annual October district count as related in the Application for State School Aid (ASSA).

- a Operating expenditures equal total expenditures less debt service, capital outlay and scholarships.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil calculated by dividing operating expenditures by enrollment; not intended to represent the statutory calculation of cost per pupil.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
SCHOOL BUILDING INFORMATION
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Square Feet	10,000	10,000	10,000	10,000	10,000
Capacity (students)	180	180	180	200	200
Enrollment	169	169	169	199	199

Source: Charter School Records

Note: Enrollment is based on the average daily enrollment (ADE).

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
SCHEDULE OF REQUIRED MAINTENANCE
FOR SCHOOL FACILITIES
LAST FIVE (5) FISCAL YEARS
(UNAUDITED)

2012	\$ 67,876
2013	84,845
2014	106,056
2015	106,056
2016	<u>77,052</u>
Total	<u>\$ 441,885</u>

School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

<u>Type of Policy</u>	<u>Coverage</u>
Commercial property and general liability:	
Property:	
Business income without extra expense	\$ 300,000
Business personal property	200,000
EDP equipment (including software)	100,000
Commercial General Liability:	
General aggregate	3,000,000
Personal & advertising injury limit	1,000,000
Medical expense limit per person	10,000
Employee benefits liability	3,000,000
Crime:	
Employee dishonesty	170,000
Automobile:	
Hired and Non Owned Occurrence	1,000,000
Comprehensive	25,000
Umbrella	
General aggregate	1,000,000

Source: Charter School records

**CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL INDICATORS**

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
CHARTER SCHOOL PERFORMANCE FRAMEWORK FINANCIAL INDICATORS
NEW TERM INDICATORS
JUNE 30, 2016
(UNAUDITED)

	June 30,			
	2013	2014	2015	2016
Cash	\$ 657,871	\$ 438,494	\$ 877,702	\$ 463,349
Current assets	305,067	197,297	289,104	236,954
Capital assets, net	-	-	31,479	41,020
Total assets	\$ 962,938	\$ 635,791	\$ 1,198,285	\$ 741,323
Current liabilities	\$ 285,011	\$ 72,808	\$ 210,572	\$ 220,018
Long term liabilities	-	-	-	\$ 68,450
Total liabilities	\$ 285,011	\$ 72,808	\$ 210,572	\$ 288,468
Net position	\$ 677,927	\$ 562,983	\$ 987,713	\$ 452,855
Total revenue	\$ 2,710,004	\$ 2,836,034	\$ 3,478,457	\$ 3,436,619
Total expenses	(2,347,972)	(2,964,276)	(3,003,692)	(3,931,759)
Change in net position	\$ 362,032	\$ (128,242)	\$ 474,765	\$ (495,140)
Depreciation expense	\$ 35,036	\$ 28,701	\$ 28,701	\$ 32,950
Interest expense	-	-	-	-
Principal payments	-	-	-	\$ -
Interest payments	-	-	-	-
Final average daily enrollment	187	190	199	199
March 30th budgeted enrollment	200	200	200	200

NEAR TERM INDICATORS:	June 30,				Four Year Cumulative
	2013	2014	2015	2016	
Current ratio	3.38	8.73	5.54	3.18	20.83
Unrestricted days cash	102.27	53.99	106.66	43.01	305.93
Enrollment variance	94%	95%	100%	100%	389.00
Default	N/A	N/A	N/A	N/A	N/A

Source: Charter School Records

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
CHARTER SCHOOL PERFORMANCE FRAMEWORK FINANCIAL INDICATORS
SUSTAINABILITY INDICATORS
JUNE 30, 2016
(UNAUDITED)

	June 30,			
	2013	2014	2015	2016
Cash	\$ 657,871	\$ 438,494	\$ 877,702	\$ 463,349
Current assets	305,067	197,297	289,104	236,954
Capital assets, net	-	-	31,479	41,020
Total assets	\$ 962,938	\$ 635,791	\$ 1,198,285	\$ 741,323
Current liabilities	\$ 285,011	\$ 72,808	\$ 210,572	\$ 220,018
Long term liabilities	-	-	-	\$ 68,450
Total liabilities	\$ 285,011	\$ 72,808	\$ 210,572	\$ 288,468
Net position	\$ 677,927	\$ 562,983	\$ 987,713	\$ 452,855
Total revenue	\$ 2,710,004	\$ 2,836,034	\$ 3,478,457	\$ 3,436,619
Total expenses	(2,347,972)	(2,964,276)	(3,003,692)	(3,931,759)
Change in net position	\$ 362,032	\$ (128,242)	\$ 474,765	\$ (495,140)
Depreciation expense	\$ 35,036	\$ 28,701	\$ 28,701	\$ 32,950
Interest expense	-	-	-	-
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Final average daily enrollment	187	190	199	199
March 30th budgeted enrollment	200	200	200	200

	June 30,				Four Year Cumulative
	2013	2014	2015	2016	
SUSTAINABILITY INDICATORS:					
Total margin	13%	-5%	14%	14%	36%
Debt to asset	N/A	N/A	N/A	N/A	N/A
Cash flow	\$ 402,931	\$ (219,377)	\$ 439,208	\$ (403,249)	\$ 219,513
Debt service coverage ratio	N/A	N/A	N/A	N/A	N/A

Source: Charter School Records

SINGLE AUDIT SECTION

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Exhibit K-1
Sheet 1 of 2

**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 Chairperson and Members
of the Board of Trustees
John P. Holland Charter School
County of Passaic
Paterson, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance Department, 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 John P. Holland Charter School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the John P. Holland Charter School's basic financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

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

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

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

**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 (CONTINUED)**

Compliance and Other Matters

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

Purpose of this Report

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



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
December 2, 2016

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Exhibit K-2
Sheet 1 of 3

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY NJOMB 15-08**

The Honorable Chairperson and Members
of the Board of Trustees
John P. Holland Charter School
County of Passaic
Paterson, New Jersey

Report on Compliance for Each Major State Program

We have audited the John P. Holland's Charter School's compliance with the types of compliance requirements described in *the New Jersey State Aid/Grant Compliance supplement* that could have a direct and material effect on each of District's major state programs for the year ended June 30, 2016. The John P. Holland's Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the John P. Holland's Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08 and *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, NJOMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether on compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about John P. Holland's Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY NJOMB 15-08
(CONTINUED)**

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

Opinion on Each Major State Program

In our opinion, the John P. Holland's Charter School's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

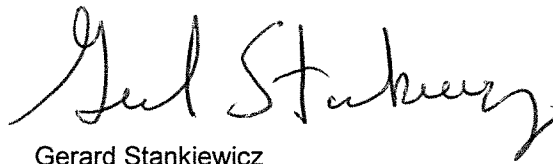
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE NJOMB 15-08
(CONTINUED)**

Purpose of Report

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



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

December 2, 2016
Freehold, New Jersey

**BOARD OF EDUCATION
JOHN P HOLLAND CHARTER SCHOOL, COUNTY OF PASSAIC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor / Pass - Through Grantor / Program Title	Federal CFDA Number	Federal FAIN Number	Program or Award Amount	Grant Period		June 30, 2015					Balance, June 30, 2016				
				From	To	(Accounts Receivable)/ Deferred Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	(Accounts Receivable)	Deferred Revenue	Due to Grantor		
U.S. Department of Agriculture															
Passed-through State Department of Education:															
Enterprise Fund:															
National School Lunch Program	10.555	16161NJ304N1099	\$ 81,249.51	7/1/2015	6/30/2016			\$ 65,655.47	\$ (79,658.25)			\$ (14,002.78)			
National School Lunch Program	10.555	16161NJ304N1099	86,265.00	7/1/2014	6/30/2015	\$ (22,210.54)						(22,210.54)			
National School Lunch Program HHFRA	10.555	16161NJ304N1099	1,591.20	7/1/2015	6/30/2016			1,313.22	(1,591.26)			(278.04)			
Breakfast Program	10.553	16161NJ304N1099	37,832.02	7/1/2015	6/30/2016			31,592.57	(37,832.02)			(6,239.45)			
Total Enterprise Fund						\$ (22,210.54)		\$ 98,561.26	\$ (119,081.53)			\$ (42,730.81)			
U.S. Department of Education															
Passed - Through State Department of Education:															
Special Revenue Fund:															
Title I, Part A	84.010A	S010A150030	\$ 150,534.00	9/1/2015	6/30/2016			\$ 150,534.00	\$ (150,534.00)						
Title I, Part A	84.010A	S010A150030	223,796.00	9/1/2012	6/30/2013		\$ 9,755.00						\$ 9,755.00		
Title I, Part A	84.010A	S010A150030	64,040.00	9/1/2011	8/31/2012	\$ (227.00)						(227.00)			
Title IIA	84.367A	S367A150029	4,228.00	7/1/2015	6/30/2016			4,228.00	(4,228.00)						
Title IIA	84.367A	S367A150029	3,191.00	9/1/2012	6/30/2013		306.00							306.00	
Title IIA	84.367A	S367A150029	2,381.00	7/1/2011	6/30/2012		2,381.00							2,381.00	
U.S. Department of Education (Continued):															
Passed - Through State Department of Education (Continued):															
Special Revenue Fund (Continued):															
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	\$ 50,979.00	7/1/2015	6/30/2016			\$ 50,979.00	\$ (50,979.00)						
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	34,434.00	9/1/2013	6/30/2014	\$ (13,946.00)						(13,946.00)			
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	34,489.00	7/1/2012	6/30/2013		\$ 597.00							\$ 597.00	
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	33,674.00	9/1/2011	6/30/2012		3,292.00							3,292.00	
Total Special Revenue Fund						\$ (14,173.00)	16,331.00	\$ 205,741.00	\$ (205,741.00)			\$ (14,173.00)		\$ 16,331.00	
Total Federal Financial Assistance						\$ (36,383.54)	16,331.00	\$ 304,302.26	\$ (324,822.53)			\$ (56,903.81)		\$ 16,331.00	

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

**BOARD OF EDUCATION
JOHN P HOLLAND CHARTER SCHOOL, COUNTY OF PASSAIC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	June 30, 2015		Cash Received	Budgetary (Expenditures)	Repayment of Prior Yea's Balances	Balance, June 30, 2016		MEMO	
				(Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:												
General Fund:												
Categorical Special Education Aid	16-495-034-5120-089	\$ 42,809.00	7/1/2015 - 6/30/2016			\$ 42,809.00	\$ (42,809.00)					\$ (42,809.00)
Categorical Security Aid	16-495-034-5120-084	86,104.00	7/1/2015 - 6/30/2016			85,943.00	(86,104.00)		\$ (161.00)			(86,104.00)
Categorical Security Aid	15-495-034-5120-084	91,378.00	7/1/2014 - 6/30/2015	\$ (1,908.00)		1,908.00						
Equalization Aid	16-495-034-5120-078	2,440,916.00	7/1/2015 - 6/30/2016			1,957,889.98	(2,088,747.00)		(130,857.02)			(2,088,747.00)
TPAF Social Security Contributions	16-495-034-5095-002	73,435.67	7/1/2015 - 6/30/2016			69,373.19	(73,435.67)		(4,062.48)			(73,435.67)
TPAF Social Security Contributions	15-495-034-5095-002	79,535.00	7/1/2014 - 6/30/2015	(3,599.76)		3,599.76						
Total General Fund				\$ (5,507.76)	\$	\$ 2,161,522.93	\$ (2,291,095.67)	\$	\$ (135,080.50)	\$	\$	\$ (2,291,095.67)
State Department of Agriculture												
Enterprise Fund:												
State School Lunch Program	16-100-010-3350-023	\$ 1,451.22	7/1/2015 - 6/30/2016			\$ 1,197.33	\$ (1,451.22)		\$ (253.89)			\$ (1,451.22)
State School Lunch Program	15-100-010-3350-023	1,618.00	7/1/2014 - 6/30/2015	\$ (328.55)					(328.55)			
Total Enterprise Fund				\$ (328.55)	\$	\$ 1,197.33	\$ (1,451.22)	\$	\$ (582.44)	\$	\$	\$ (1,451.22)
Total State Financial Assistance				\$ (5,836.31)	\$	\$ 2,162,720.26	\$ (2,292,546.89)	\$	\$ (135,662.94)	\$	\$	\$ (2,292,546.89)

See Accompanying Notes to Schedules of Financial Assistance.

JOHN P. HOLLAND CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the John P. Holland Charter School. The information in this Schedule is presented in accordance with the requirements of Title 2, *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and NJOMB 15-08. The Board of Education is defined in Note 1 (A) to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules or expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2, *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and NJOMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two (2) state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last two (2) state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

JOHN P. HOLLAND CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2016

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

There is no adjustment to reconcile between the General Fund and Special Revenue Fund for GAAP. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	2,486,814.67	\$ 2,486,814.67
Special Revenue Fund	205,741.00		205,741.00
Food Service Fund	<u>119,081.53</u>	<u>1,451.22</u>	<u>120,532.75</u>
	<u>\$ 324,822.53</u>	<u>\$ 2,488,265.89</u>	<u>\$ 2,813,088.42</u>

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. FEDERAL AND STATE LOANS OUTSTANDING

The Charter School had no loans outstanding payable to federal or state entities at June 30, 2016.

6. OTHER

The amount reported as TPAF Pension Contributions and Post Retirement Medical Contributions represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share social security contributions for TPAF members for the year ended June 30, 2016.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on-behalf of the District. These expenditures are not subject to New Jersey OMB Circular 15-08 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore have not been included on the Schedule of State Awards, as directed by the funding agency.

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified, dated
December 2, 2016

Internal control over financial reporting:

1. Material weakness(es) identified? _____ yes X no
2. Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

1. Material weakness(es) identified? _____ yes X no
2. Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified, dated
December 2, 2016

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of *Uniform Guidance*? _____ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
_____ None _____	_____ None _____

Federal Awards – For the fiscal year ended June 30, 2016, John P. Holland Charter School was determined to expend less than \$750,000 in federal awards and is therefore exempt from the federal single audit requirements for 2016.

Dollar threshold used to distinguish between Type A and Type B programs: _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ X yes _____ no

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

FOR THE YEAR ENDED JUNE 30, 2015:

There were no findings for the year ended June 30, 2015.