

**KATZ DALSEY ACADEMY  
CHARTER SCHOOL, INC.  
Camden, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2016**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

**Katz Dalsey Academy Charter School, Inc.  
Board of Trustees**

**Camden, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

**Katz Dalsey Academy Charter School, Inc. Board of Trustees**

**Finance Department**

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OF KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
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## INTRODUCTORY SECTION

# KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.

1725 Park Blvd  
Camden, NJ 08103

Dr. Joseph V. Conway  
Chief School Administrator  
Telephone: (856) 856-375-1140

Richelle Baughn  
Business Administrator/  
Board Secretary

November 1, 2016

Members of the Board of Trustees  
Katz Dalsey Academy Charter School, Inc.  
County of Camden  
1725 Park Blvd  
Camden, NJ 08103

Dear Board Members,

The comprehensive annual financial report of Katz Dalsey Academy Charter School, Inc. for the second fiscal year of operations ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of Katz Dalsey Academy Charter School, Inc. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the final position and results 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.

The comprehensive annual financial report is presented in four sections as follows:

- The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials.
- The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon.
- The statistical section includes the first fiscal year of unaudited data.
- The charter school is required to undergo an annual single audit in conformity with the provisions of Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 15-08 OMB , " Single Audit Policy for recipients of federal grants, State grants and state aid payments". Information related to this single audit, including the 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:**

Katz Dalsey Academy Charter School, Inc. is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No.14. All funds of the Charter School are included in this report. Katz Dalsey Academy Charter School, Inc.'s Board of Trustees and its school constitute the Charter School's reporting entity.

Katz Dalsey Academy Charter School, Inc. is responsible for providing a thorough and efficient educational system for students in grades taught at the two schools maintained. The Charter School completed the 2015-2016 fiscal year with an enrollment of 148 elementary school students at the Parkside location, which is down from 160, and 172 elementary school students at the Rosedale location, which is up from 160.

## **2. ECONOMIC CONDITION AND OUTLOOK:**

While the City of Camden area is a large urban community in Camden County and presently considered to possess a stagnant economy, a significant development of the riverfront area is currently in the planning and approval stage. The city is experiencing unemployment and underemployment, which appears to be common in other urban areas around the state.

### Initiatives

The charter school developed a comprehensive strategic plan to support its mission and vision and serve as a blueprint for the achievement of its goals. The plan includes objectives such as pupil achievement, staff development and technology in the classroom.

As of July 1, 2016 the New Jersey Department of Education approved the consolidation of Katz Dalsey Academy Charter School into Camden's Promise Charter that will operate as a K-12 Charter School District.

## **3. INTERNAL ACCOUNTING CONTROLS:**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure that 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). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal control, 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.

#### **4. 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 legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

#### **5. ACCOUNTING SYSTEM AND REPORTS:**

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 2.

#### **6. RISK MANAGEMENT:**

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

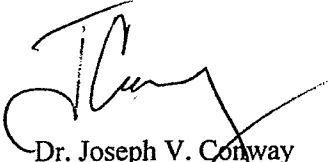
#### **7. OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nightlinger, Colavita and Volpa, Pa. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards(Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

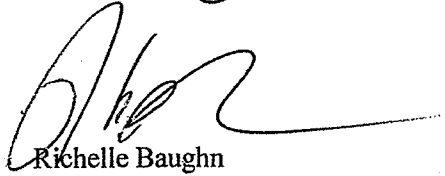
**8. ACKNOWLEDGMENTS:**

We would like to express our appreciation to the members of Katz Dalsey Academy Charter School, Inc.'s Board of Trustees for their concern in providing fiscal accountability to the community and contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Dr. Joseph V. Conway  
Chief School Administrator



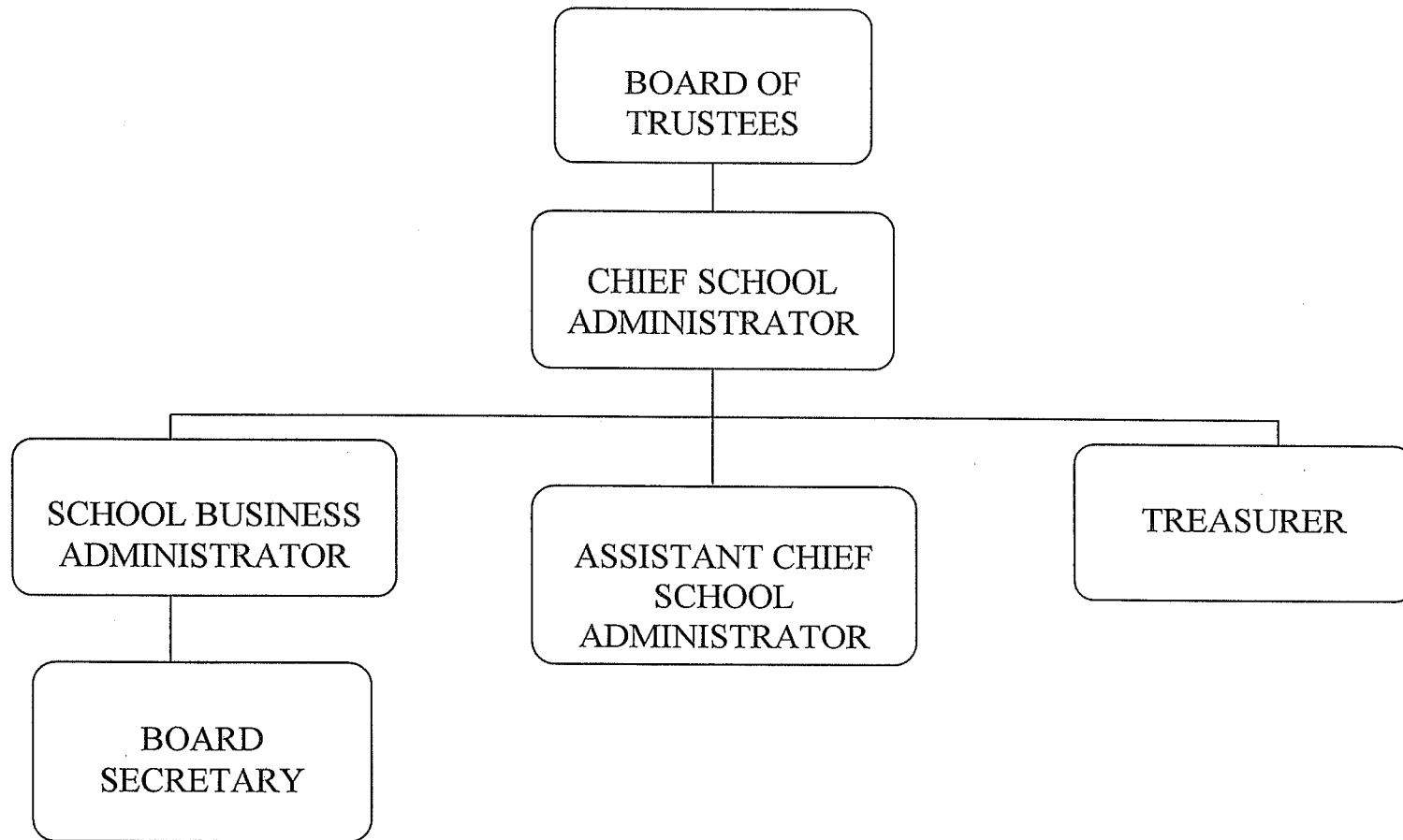
Richelle Baughn  
Business Administrator

**Katz Dalsey Academy Charter School, Inc.**

**Camden, New Jersey**

**Camden County**

**(UNIT CONTROL)**



**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**CAMDEN, NEW JERSEY**

**ROSTER OF OFFICIALS**

**JUNE 30, 2016**

<b><u>MEMBERS OF THE BOARD OF TRUSTEES</u></b>	<b><u>TERM EXPIRES</u></b>
Zulma Lombardo, President	2017
Brian Kowalski, Vice President	2017
Rut Lopez	2016
Aleta Gibson	2016
Kelvin Pena	2017
Dayna Hinson	2017
Chelsea Dalsey	2017
<b><u>OTHER OFFICIALS</u></b>	<b><u>AMOUNT OF BOND</u></b>
Tishara Landi, Lead Person	
Richelle Baughn, Business Administrator/Board Secretary	\$ 50,000
Jeannie Scott, Treasurer of School Monies (To: December 2015)	250,000
Wayne Scott, Treasurer of School Monies (From: January 2016)	

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

**Raymond Colavita, C.P.A., R.M.A.**  
**Nightlinger, Colavita and Volpa, P.A.**  
Certified Public Accountants  
991 S. Black Horse Pike  
Post Office Box 799  
Williamstown, NJ 08094

**ATTORNEY**

**Ms. Jane B. Capasso**  
Attorney-at-Law  
Lipman, Antonelli, Batt, Gibson, Malestein, Rothman, & Capasso  
110 North Sixth Street/ P. O. Box 729  
Vineland, New Jersey 08362-0729

**OFFICIAL DEPOSITORY**

TD Bank  
501 Mickle Blvd.  
Camden, New Jersey 08103

**FINANCIAL SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association  
Certified Public Accountants*

991 S. Black Horse Pike  
P.O. Box 799  
Williamstown, NJ 08094

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Fax (856) 728-2245  
[www.colavita.net](http://www.colavita.net)

November 1, 2016

## **INDEPENDENT AUDITOR'S REPORT**

To The Members of  
The Board of Trustees  
Katz Dalsey Academy Charter School, Inc.  
County Of Camden, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Katz Dalsey Academy Charter School, Inc. in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Administration and 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 Katz Dalsey Academy Charter School, Inc. Board of Trustees, in the County of Camden, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, 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's discussion and analysis and budgetary comparison information, schedule of the Charter School's proportionate share of the net pension liability and schedule of the Charter School's contributions, 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 Knowledge A to Z Academy Charter School Board of Trustee's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the 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 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

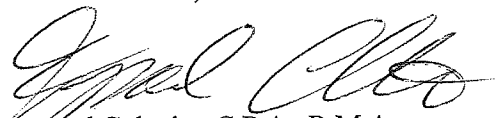
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 on our consideration of the Katz Dalsey Academy Charter School, Inc.'s Board of Trustees internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, PA**



Raymond Colavita, C.P.A., R.M.A.  
Licensed Public School Accountant  
No. 915

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

UNAUDITED

The discussion and analysis of Katz Dalsey Academy Charter School, Inc's financial performance provides an overall review of the School's financial activities for this second fiscal year of operations ended June 30, 2016. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

### **Financial Highlights**

Key financial highlights for 2016 are as follows:

- ❖ The 2016 school year was the fourth year of operations and educated students from Kindergarten through Fourth Grade.
- ❖ Total revenues of the school were \$5,237,502, of which general revenues accounted for \$4,413,099 or 84.3% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and capital grants accounted for \$824,403 or 15.7% of all Revenues.
- ❖ Total net position of governmental activities, as of the June 30, 2016 was \$45,484.
- ❖ The School had \$6,167,027 in total expenses, of which only \$824,403 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily state and federal aid) were adequate to provide for these programs.
- ❖ The General Fund had \$4,474,155 in revenues, \$5,390,294 in expenditures. The General Fund's balance as of June 30, 2016 was \$86,171, which was a decrease of \$916,139 over the prior year. This operating result was anticipated by the Board of Trustees.

### **Using this Comprehensive Annual Financial Report (CAFR)**

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of The Katz Dalsey Academy Charter School, the General Fund is by far the most significant fund.

## **Reporting the School as a Whole**

### **Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School to provide programs and activities, the view of the 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 helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❖ **Governmental Activities** – All of the School's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ **Business – Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service and Before and After Care enterprise funds are reported as business activity.

## **Reporting the School's Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School's major (all) funds begins on page 21. Fund financial reports provide detailed information about the School's major funds. The School uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School's most significant funds. The School's major governmental funds are the General Fund and Special Revenue Fund.

### **Governmental Funds**

The School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. 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 statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer 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 governmental funds is reconciled in the financial statements.

### Enterprise Fund

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

### The School as a Whole

Recall that the Statement of Net Position provides the perspective of the School as a whole.

Table 1 provides a summary of the School's Net Position for the years ended 2016 and 2015 in accordance with GASB Statement 34. The following net position comparisons are for the first two years of operations.

Table 1  
Net Position

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current and other assets	\$ 58,694	\$ 825,654
Receivables, net	210,346	319,809
Total Assets	<u>269,040</u>	<u>1,145,463</u>
<b>Deferred Outflows of Resources</b>		
Deferred Pension Outflow	<u>256,903</u>	
<b>Liabilities</b>		
Other Liabilities	155,568	143,153
Net Pension Liability	292,881	
Total Liabilities	<u>448,449</u>	<u>143,153</u>
<b>Deferred Inflows of Resources</b>		
Deferred Pension Inflow	<u>4,709</u>	
<b>Net Position</b>		
Restricted	36,485	683,517
Unrestricted	36,300	318,793
Total Net Position	<u>\$ 72,785</u>	<u>\$ 1,002,310</u>

Table 2 shows the changes in Net Position from fiscal years 2016 and 2015, in accordance with GASB Statement 34. The following comparison of changes in net position represents data for the fiscal years 2016 and 2015.

Table 2  
Changes in Net Position

	2016	2015
<b>Revenues</b>		
Programs Revenues		
Charges for Services	\$	\$ 440
Operating Grants and Contributions	824,403	1,312,890
General Revenues		
Property Taxes	317,648	255,496
Grants and Entitlements	4,089,922	3,593,657
Other	5,529	29,985
Total Revenues	<u>5,237,502</u>	<u>5,192,468</u>
<b>Program Expenses</b>		
Instruction	3,015,429	2,231,612
Support Services		
School Administration	832,589	594,505
General Administration	1,089,313	1,004,290
Employee Benefits	985,749	679,356
Food Service	243,947	213,483
Total Expenses	<u>6,167,027</u>	<u>4,723,246</u>
Increase/(Decrease) in Net Position	<u>\$ (929,525)</u>	<u>\$ 469,222</u>

### Governmental Activities

The School's total revenue for the fiscal year ended June 30, 2016 was \$5,237,502, of which net governmental revenues were \$4,413,099. As a charter school, voter approval for the School operations is not required in New Jersey. Property taxes made up 6.1 % percent of revenues for governmental activities of Katz Dalsey Academy Charter School, Inc. for fiscal year 2016. Federal, state and local grants accounted for another 93.8% and miscellaneous revenue accounted for .1%. The school's total expenses for governmental activities were \$6,167,027, of which the net cost of all governmental instructional programs and services was \$5,369,925. Instruction comprises 50.9% of school expenses.

**Business-Type Activities**

Revenues for the School’s business-type activities (food service program and extended day program) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service revenue exceeded expenses by \$27,301. This represents 10.1% of the \$271,248 in total revenue. Food service expenditures totaled \$243,947.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities were \$271,248.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the School’s resident district taxpayers by each of these functions.

Table 3

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	\$ 3,015,429	\$ 2,678,196	\$ 2,231,612	\$ 1,982,048
Support services				
School Administrative Services	832,589	616,667	594,505	398,800
General administration, school administration, business	1,089,313	1,089,313	1,004,290	1,004,290
Employee Benefits	985,749	985,749	679,356	8,255
<b>Total Expenses</b>	<b>\$ 5,923,080</b>	<b>\$ 5,369,925</b>	<b>\$ 4,509,763</b>	<b>\$ 3,393,393</b>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the School.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.



Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities include expenses related to student activities provided by the School which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to liabilities of the School.

Other will include unallocated depreciation and amortization, when appropriate.

### The School's Funds

Information about the School's major funds starts on page 21. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general and special revenue funds presented in the fund-based statements) had total revenues of \$5,027,310 and expenditures of \$5,943,449. The net positive/negative change in fund balance for this initial school year was in the General Fund, an increase of \$916,139. This result shows that the School is able to meet current operating costs with no urgent need for additional funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2015</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 323,177	6%	\$ 37,696	29%
State Sources	4,150,978	83%	(113,780)	-5%
Federal Sources	553,155	11%	107,886	70%
Total	<u>\$ 5,027,310</u>	<u>100%</u>	<u>\$ 31,802</u>	<u>1%</u>

The increase in Local Sources revenue is attributed to the local tax levy of \$62,152, offset by a decrease in miscellaneous income of \$24,456.

The decrease in State Sources is \$113,780 made up of \$353,286 in Equalization Aid, \$8,113 special education Aid and \$12,713 in Security Aid, offset by an increase of \$260,332 in on-behalf social security reimbursement.

The increase in Federal Sources represents various grant awards for instruction and support.

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal years ended June 30, 2015 and 2016.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease from 2015)</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 3,015,429	50.8%	\$ 783,817	64%
School Administrative Expenses	832,589	14.0%	238,084	67%
General Administrative Expenses	938,394	15.8%	(65,896)	-8%
Employee Benefits	1,006,118	16.9%	326,762	100%
Capital Outlay	150,919	2.5%	150,919	18%
<b>Total</b>	<b>\$ 5,943,449</b>	<b>100.1%</b>	<b>\$ 1,433,686</b>	<b>59%</b>

The increase in Instructional expense is attributed to the increase in enrollment.

The increase in School Administrative support expenses were also attributed to the increase in enrollment.

The decrease in Other Administrative support expenses was attributed to a reduction in start-up costs.

The 2015-16 school year was the fourth year for breaking out employee benefits.

There were no capital outlay expenditures for equipment purchases or leasehold improvements during the 2015-16 school-year.

### **General Fund Budgeting Highlights**

The School's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2016, the School amended its General Fund budget as needed. The School uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

- ❖ Staffing based on student needs.
- ❖ Costs for student transportation both in regular education and special education.
- ❖ Costs for maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the School's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a deficit of \$916,139 in revenue over expenditures.

- ❖ Actual revenues were \$417,877 more than expected, which includes the on-behalf social security reimbursement of \$412,348.
- ❖ The actual expenditures were higher than expected in various line items in the total amount of \$149,577, including on-behalf social security reimbursement of \$412,348.
- ❖ During the 2015-16 school year there were no transfers to the Food Service Enterprise fund.

### **For the Future**

Katz Dalsey Academy Charter School, Inc. completed the 2015-16 school year in satisfactory financial condition.

The Rosedale Campus increased to an enrollment of 160 students in the 2015-16 school year, through the addition of classroom space.

The Parkside Campus also expanded to 160 students in the 2015-16 school year.

We all will continue to mourn the loss of Lewis Katz and Marcella Dalsey, who were the driving force behind the creation of the Katz Dalsey Academy Charter School. While the school has been approved by the NJ Department of Education to be merged into the Camden's Promise Charter School, which will operated as a K-12 Charter School District, there is a genuine and strong commitment of all individuals associated with the school to continue the mission of providing a safe, vibrant and quality elementary education to children in the City of Camden New Jersey.

### **Contacting the School's Financial Management**

This financial report is designed to provide our citizens, taxpayers and oversight entities with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information please contact Richelle Baughn, Business Administrator/Board Secretary at Katz Dalsey Academy Charter School, Inc. at 1725 Park Blvd, Camden, New Jersey 08103.

**BASIC FINANCIAL STATEMENTS**

## **DISTRICT - WIDE FINANCIAL STATEMENTS**

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,831	\$ 43,299	\$ 55,130
Receivables, Net	202,939	7,407	210,346
Interfund Receivable	3,564		3,564
Total Assets	218,334	50,706	269,040
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Pension Outflow	256,903		256,903
Total Deferred Outflows of Resources	256,903		256,903
<b>LIABILITIES</b>			
Accounts Payable	124,799		124,799
Interfund Payable	1,317		1,317
Due to Other Governments	6,047	23,405	29,452
Net Pension Liability	292,881		292,881
Total Liabilities	425,044	23,405	448,449
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Pension Inflow	4,709		4,709
Total Deferred Inflows of Resources	4,709		4,709
<b>NET POSITION</b>			
Restricted:			
Escrow	36,485		36,485
Unrestricted	8,999	27,301	36,300
Total Net Position	\$ 45,484	\$ 27,301	\$ 72,785

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</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	\$ 3,010,929	\$	\$ 332,733	\$ (2,678,196)	\$	\$ (2,678,196)
Support Services:						
School Administrative Services	837,089		220,422	(616,667)		(616,667)
General and Business Administrative Services	1,089,313			(1,089,313)		(1,089,313)
Employee Benefits	985,749			(985,749)		(985,749)
Total Governmental Activities	<u>5,923,080</u>		<u>553,155</u>	<u>(5,369,925)</u>		<u>(5,369,925)</u>
Business-type Activities:						
Food Service	243,947		271,248		27,301	27,301
Total Business-type Activities	<u>243,947</u>		<u>271,248</u>		<u>27,301</u>	<u>27,301</u>
Total Primary Government	<u>\$ 6,167,027</u>	<u>\$</u>	<u>\$ 824,403</u>	<u>(5,369,925)</u>	<u>27,301</u>	<u>(5,342,624)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				317,648		317,648
Federal and State Aid Not Restricted				4,089,922		4,089,922
Miscellaneous Income				5,529		5,529
Total General Revenues, Special Items, Extraordinary Items and Transfers				<u>4,413,099</u>		<u>4,413,099</u>
Change in Net Position				(956,826)	27,301	(929,525)
Net Position—Beginning				1,002,310		1,002,310
Net Position—Ending				<u>\$ 45,484</u>	<u>\$ 27,301</u>	<u>\$ 72,785</u>

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

## **FUND FINANCIAL STATEMENTS**

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



**GOVERNMENTAL FUNDS**

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 27,833	\$	\$ 27,833
Interfund Receivable	108,498		108,498
Accounts Receivable			
Federal Aid Receivable		187,918	187,918
State Aid Receivable	653		653
Receivables from Local Governments	14,368		14,368
	\$ 151,352	\$ 187,918	\$ 339,270
<b>Total Assets</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 41,815	\$ 82,984	\$ 124,799
Interfund Payable	17,319	104,934	122,253
Due to Local Governments	6,047		6,047
	65,181	187,918	253,099
Fund Balances:			
Restricted			
Escrow Account	36,485		36,485
Assigned :			
Year-End Encumbrances	49,686		49,686
Unassigned, Reported in:			
General Fund (Deficit)	-		-
	86,171		86,171
<b>Total Fund Balances</b>			
<b>Total Liabilities and Fund Balances</b>	\$ 151,352	\$ 187,918	

Amounts reported for *governmental activities* in the Statement of Net Position (A-1) are different because:

Deferred Outflow of Resources	256,903
Deferred Inflows of Resources	(4,709)
Long Term Net Pension Liability	(292,881)
	\$ 45,484
<b>Net Position of Governmental Activities</b>	<b>\$ 45,484</b>

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Local Sources:			
Local Tax Levy	\$ 317,648	\$	\$ 317,648
Miscellaneous	5,529		5,529
Total - Local Sources	323,177		323,177
State Sources	4,150,978		4,150,978
Federal Sources		553,155	553,155
Total Revenues	4,474,155	553,155	5,027,310
<b>EXPENDITURES</b>			
Current:			
Regular Instruction	2,678,196	332,733	3,010,929
Support Services:			
School Administrative Services	616,667	220,422	837,089
Other Administrative Services	938,394		938,394
Employee Benefits	1,006,118		1,006,118
Capital Outlay	150,919		150,919
Total Expenditures	5,390,294	553,155	5,943,449
Excess (Deficiency) of Revenues Over Expenditures	(916,139)		(916,139)
<b>OTHER FINANCING SOURCES (USES)</b>			
Total Other Financing Sources and Uses			
Net Change in Fund Balances	(916,139)		(916,139)
Fund Balance—July 1	1,002,310		1,002,310
Fund Balance—June 30	\$ 86,171	\$	\$ 86,171

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (916,139)

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

In the Statement of Activities, certain operating expenses, including compensated absences, 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) .

Pension Contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (40,687)

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

Change in Net Position of Governmental Activities (A-2) \$ (956,826)

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

**PROPRIETARY FUNDS**

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Food Service</u>	<u>Totals</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 27,297	\$ 27,297
Accounts Receivable:		
State	98	98
Federal	7,309	7,309
Interfund Accounts Receivable	16,002	16,002
Total Current Assets	<u>50,706</u>	<u>50,706</u>
Total Assets	<u>\$ 50,706</u>	<u>\$ 50,706</u>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Intergovernmental Accounts Payable	\$ 23,405	\$ 23,405
Total Current Liabilities:	<u>23,405</u>	<u>23,405</u>
Net Position		
Unrestricted	27,301	27,301
Total Fund Equity	<u>27,301</u>	<u>27,301</u>
Total Liabilities and Net Position	<u>\$ 50,706</u>	<u>\$ 50,706</u>

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs:	\$	\$
Total Operating Revenue:		
Operating Expenses:		
Food Costs	230,488	230,488
Other Food Costs	13,459	13,459
Total Operating Expenses	243,947	243,947
Operating Income (Loss)	(243,947)	(243,947)
Non-operating Revenues (Expenses):		
State Sources:		
State School Lunch Program	3,003	3,003
Federal Sources:		
National School Breakfast Program	58,802	58,802
National School Lunch Program	169,883	169,883
National School Snack Program	26,101	26,101
Food Distribution Program	13,459	13,459
Total Non-operating Revenues (Expenses)	271,248	271,248
Income (Loss) before Contributions & Transfers	27,301	27,301
Change in Net Position	27,301	27,301
Total Net Position—Beginning		
Total Net Position—Ending	\$ 27,301	\$ 27,301

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-type Activities Enterprise Funds</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$	\$
Payments to Suppliers	(250,839)	(250,839)
	(250,839)	(250,839)
Net Cash Provided by (Used for) Operating Activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	3,003	3,003
Federal Sources	268,245	268,245
	271,248	271,248
Net Cash Provided by (Used for) Non-capital Financing Activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of Capital Assets		
Net Cash Provided by (Used for) Capital and Related Financing Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends		
Net Cash Provided by (Used for) Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	20,409	20,409
Balances—Beginning of Year	6,888	6,888
Balances—End of Year	\$ 27,297	\$ 27,297
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (243,947)	\$ (243,947)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
(Increase)/Decrease in Accounts Receivable, Net	49,556	49,556
(Increase)/Decrease in Interfund Accounts Receivable		
(Decrease)/Increase in Accounts Payable		
(Decrease)/Increase in Intergovernmental Accounts Payable	(56,448)	(56,448)
Total Adjustments	(6,892)	(6,892)
Net Cash Provided by (Used for) Operating Activities	\$ (250,839)	\$ (250,839)

**Noncash Noncapital Financing Activities:**

During the year, the district received zero dollars of food commodities from the U. S. Department of Agriculture

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



**FIDUCIARY FUNDS**

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Student Activities</u>	<u>Payroll Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 38,261	\$ 695	\$ 6,715
Interfund Receivable		1,317	
Total Assets	<u>38,261</u>	<u>2,012</u>	<u>6,715</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings			3,151
Due to Current Fund			3,564
Due to Student Groups		2,012	
Total Liabilities		<u>\$ 2,012</u>	<u>\$ 6,715</u>
<b>NET POSITION</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 38,261</u>		

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Employee Deduction	\$ 3,349
Board Contribution	3,440
	<hr/>
Total Additions	6,789
	<hr/>
<b>DEDUCTIONS</b>	
Unemployment Claims	4,014
	<hr/>
Total Deductions	4,014
	<hr/>
<b>NONOPERATING REVENUES:</b>	
Interest	
	<hr/>
Change in Net Position	2,775
	<hr/>
Net Position—Beginning of the Year	35,486
	<hr/>
Net Position—End of the Year	\$ 38,261
	<hr/> <hr/>

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1. DESCRIPTION OF KATZ DALSEY ACADEMY CHARTER SCHOOL, INC. AND REPORTING ENTITY**

Katz Dalsey Academy Charter School, Inc. is located and incorporated on March 23, 2012 in the County of Camden, State of New Jersey and began its first year of education operations in September of 2012. It was created through the approval of its New Jersey Charter Schools Application by the State of New Jersey, Department of Education. As a Charter School, Katz Dalsey Academy Charter School, Inc. functions independently as an educational institution through a Board of Trustees (the "Board"). In accordance with the by laws of the Charter School, the Board is to consist of not less than 3 and not more than 14 individuals. At all times, constituency of the voting members of the Board of Trustees shall consist of 2 members nominated and elected by the Board selected from the Parent Council and two members nominated and elected by the Board of Trustees representing community leaders at large (which may include representatives from the Neighborhood Center) The school administrator and a teacher elected by the teachers from the school are ex-officio members of the Board of Trustees without vote, and limited to the number of terms they may serve consecutively.

**A. Reporting Entity:**

The purpose of the Charter School during their initial fiscal school year of 2012-13 was to educate students in Kindergarten through Fourth Grade. The school operates two buildings with an initial year enrollment at June 30, 2013 of 195. The enrollment at June 30, 2016 was 320, which is 4 students more than in 2014-15. A school business administrator/board secretary was appointed by the Board and responsible for the administrative control 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 whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Charter School holds the corporate powers of the organization
- the Charter School appoints a voting majority of the organization's board
- the Charter School is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Charter School
- there is a fiscal dependency by the organization on the Charter School

There were no additional entities required to be included in the reporting entity, under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Katz Dalsey Academy Charter School, Inc. have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Charter School's accounting policies are described below.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which provided for the most significant change in financial reporting over twenty years and was phased-in starting with fiscal year ending 2002. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

**A. New Accounting Standards:**

The Charter School has adopted the following GASB statements:

- GASB No. 80 - *Blending Requirements for Certain Component Units - an Amendment of GASB No. 14*: The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 80, did not impact the financial statements of the School District.
- GASB No. 79 - *Certain External Investment Pools and Pool Participants*: This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 79, did not impact the financial statements of the School District.
- GASB Statement No. 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*: The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 78, did not impact the financial statements of the School District.
- GASB No. 77, *Tax Abatement Disclosures*: This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 77, did not impact the financial statements of the School District.

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**A. New Accounting Standards (Continued):**

The Charter School has adopted the following GASB statements:

- GASB No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*: The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 76, did not impact the financial statements of the School District.
- GASB No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*: The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 73, did not impact the financial statements of the School District.
- GASB No. 72 - *Fair Value Measurement and Application*: This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 72, did not impact the financial statements of the School District.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 81 - *Irrevocable Split-Interest Agreements*: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 81 on the School District's financial statements.

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**A. New Accounting Standards (Continued):**

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 82 - *Pensions - an Amendment of GASB No. 67, No. 68 and No. 73*: The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 82 on the School District's financial statements.
  
- GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*: The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements.
  
- GASB No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*: The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 74 on the School District's financial statements.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**B. Basis of Presentation:**

The Charter School basic financial statements consist of Charter School-Wide statements, including a Statement of Net Position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Charter School-Wide Statements: The Statement of Net Position and the Statements of Activities display information about the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the Charter School at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the Charter School and for each function of the Charter School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the Charter School related to the administration and support of the Charter School's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes and state formula aid, are presented as general revenues.

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



KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**C. Fund Accounting:**

The accounts of the Charter School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations for each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are grouped, in the financial statements in this report:

**GOVERNMENTAL FUND TYPE**

**General Fund** - The general fund is the general operating fund of the School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for instructional and non-instructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, Katz Dalsey Academy Charter School, Inc. includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmentalities 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 the "local levy" local share - charter school aid, "local levy" state share - charter school aid, categorical aid, revenues from other sources and appropriated fund balance. Expenditures are those in excess of \$2,000, which result in the acquisition of or additions to capital 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 Charter School accounts for the proceeds of specific revenue sources from the state and federal government (other than expendable trusts, major capital projects or enterprise funds) and local appropriations that is legally restricted to expenditures for specified purposes in the special revenue fund.

**Capital Projects Fund** - The Charter School currently has no capital projects, and, therefore, the accounting system of the Charter School does not include a capital projects fund.

**Debt Service Fund** - The accounting system of the Charter School does not include a debt service fund in accordance with state statute.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**C. Fund Accounting (Continued):**

**PROPRIETARY FUND TYPE**

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

**Enterprise (Food Service) Funds** - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School is that the costs (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 School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The School's Enterprise Fund is comprised of a Food Service Fund managed by an outside food service management company. For expediency, the financial records are maintained within the food service fund of Katz Dalsey Academy Charter School, Inc. Federal and state subsidy reimbursements as well as a food service operating costs were allocated on a pro-rata basis. There were no Inventory or commodity amounts considered as owned by Katz Dalsey Academy Charter School, Inc.

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 noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is separated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**FIDUCIARY FUND TYPE**

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the Charter School:

**Trust and Agency Funds** - The 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 or others.

**Nonexpendable Trust Fund** - A nonexpendable trust fund is used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligation to maintain the trust principal. The accounting system of the Charter School does not include a nonexpendable trust fund.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**C. Fund Accounting (Continued):**

**FIDUCIARY FUND TYPE (Continued)**

**Expendable Trust Fund** - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Funds will consist of an Unemployment Compensation Insurance Fund in the future.

**Agency Funds (Payroll, Health Benefits and Student Activities Fund)** - Agency funds 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. The accounting system of the Charter School includes a payroll fund and a student activities fund.

**D. Basis of Accounting and Measurement Focus:**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*Charter School-Wide, Proprietary and Fiduciary Fund Financial Statements:* The Charter School-Wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school Charter School the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The Charter School records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Basis of Accounting and Measurement Focus (Continued):**

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

**E. Budgets/Budgetary Control:**

Charter School budgets are prepared annually and are submitted to the Department of Education for review. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are mandated by the Department of Education and are detailed in the Charter School Budget Summary form that is part of the New Jersey Charter School Application and are defined as the lowest (most specific) level of detail referenced in NJAC 6:20-2A (m) 1. Transfers of appropriations may be made by Board resolution at any time during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

Schedule C-3 in the CAFR presents a reconciliation of the special revenue funds from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**E. Budgets/Budgetary Control (Continued):**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The budget, as detailed on Exhibit C-1, includes all amendments to the adopted budget, if any. Open encumbrances in the special revenue fund for which the Charter School has received advances (if any) are reflected in the balance sheet as unearned revenues at fiscal year end.

**F. Encumbrance Accounting:**

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end. The Charter School had \$49,686 of fund balance reserved for encumbrances at June 30, 2016.

**G. Tuition:**

The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the Charter School of residence of the charter school or are non-resident students.

**H. Assets, Liabilities and Equity:**

Transactions

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

Inventories

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase. On Charter School-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**H. Assets, Liabilities and Equity (continued):**

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the Statement of Net Position. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Capital assets are depreciated in the Charter School-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	30-50
Building Improvements	20
Vehicles	8
Equipment	5-10

**I. Compensated Absences:**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on 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.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Statement of Net Position. There is presently no balance in compensated absences liability at June 30, 2016.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**J. Unearned Revenue:**

Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned (see Note 2(B) regarding the special revenue fund).

**K. Fund Equity:**

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**L. Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**M. Charter School Funding:**

The Charter School is largely funded on its enrollment through the local levy and categorical aid, which follows a particular student. Funding flows from the State to the district board of education and then to the Charter school. In accordance with N.J.S.A. 18A:36A-12 "the school district of residence shall pay directly to the Charter School for each student enrolled in the charter school who resides in the district a presumptive amount equal to 90% of the local tax levy budget per pupil for the specific grade level in the district. At the discretion of the commissioner and at the time the charter is granted, the commissioner may require the school district of residence to pay directly to the charter school for each student enrolled in the charter school an amount equal to less than 90%, or an amount, which shall not exceed 100% of the local levy budget per pupil for the specific grade in the district of residence. The per pupil amount paid to the charter school shall not exceed the local levy budget per pupil for the specific grade level in the district in which the charter school is located. The district of residence shall also pay directly to the charter school any categorical aid attributable to the student, provided the student is receiving appropriate categorical services, and any federal funds attributable to the student".

During the school year, a charter school shall conduct an enrollment count on October 15, and the last day of the school year. A charter school shall submit each count through a summary school register for the purposes of determining average daily enrolment. Based on these counts, a charter school's revenue is adjusted accordingly.

**N. Net Position:**

Net position represents the difference between assets and liabilities. 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 borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**O. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end. Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

**P. Comparative Data/Reclassifications:**

After the initial year of operations, comparative total data for the prior year will be presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Charter School's financial position and operations. Also, certain immaterial amounts presented in the prior year data will be reclassified in order to be consistent with the current year's presentation.

**Q. Allocation of Indirect Expenses:**

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**R. 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.



**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**S. Inventories and Prepaid Expenses:**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

On Charter School-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

**T. Short -Term Interfund Receivables/Payables:**

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

**U. Management Estimates:**

In order for the preparation of basic financial statements to be in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**V. Accrued Liabilities and Long-term Obligations:**

All payables, accrued liabilities, and long-term obligations are reported on the School-Wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Position.

**W. Fund Balance Reserves:**

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**X. Lease Acquisition Costs:**

As part of any long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2016.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

New Jersey Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Schools. Investments are stated at cost, or amortized cost, which approximates market.

The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

**Deposits:**

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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

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

**Investments:**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)**

As of June 30, 2016, cash and cash equivalents in the fund financial statements of the Charter School consisted of the following:

		<b><u>Cash and Cash Equivalents</u></b>
Checking Accounts	\$	100,801
Total	\$	<u>100,801</u>

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits may not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2016, the Charter School bank balance of \$281,173 was exposed to custodial credit risk as follows:

Insured	\$	250,000
Uninsured and collateralized with Securities held by pledging financial institutions		31,173
Total	\$	<u><u>281,173</u></u>

**New Jersey Cash Management Fund** – During the fiscal year, the School District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2016, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4. COMPENSATED ABSENCES**

In accordance with Statement No. 16 of the (GASB) entitled "Accounting for Compensated Absences", Part time employees are not entitled to compensated absences. Benefits paid in any future period will be calculated in accordance with formulas outlined in the Charter School agreements with any collective bargaining units and included in the budget of the current year of payment. There currently is no formal policy concerning payment of accumulated absences.

There was no liability for compensated absences in the governmental fund types at June 30, 2016.

As of June 30, 2016, no liability existed for compensated absences in the Food Service Fund because there are no employees paid out of this fund.

**NOTE 5. CAPITAL ASSETS**

There were no capital assets as of June 30, 2016.

**NOTE 6. GENERAL LONG-TERM DEBT**

There was no debt as of June 30, 2016.

**NOTE 7. PENSION PLANS**

**Description of Plans**

All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7. PENSION PLANS (CONT'D)**

**Description of Plans (Continued)**

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

For the year ended June 30, 2016, the District recognized pension expense of \$58,926 and revenue of \$58,926 for support provided by the State.

**Public Employees' Retirement System** - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit plan which was established as of January 1, 1955. The PERS provides retirement, death, disability and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.5% of their annual covered salary. Effective July 1, 2011, however, in accordance with Chapter 78, P.L. 2011, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Charter School is billed annually for its normal contribution plus any accrued liability. The Charter School's contributions, which equal the required contribution for each fiscal year, were as follows:

**Public Employees Retirement System**

<b><u>Fiscal Year</u></b>	<b><u>Normal Contribution</u></b>	<b><u>Accrued Liability</u></b>	<b><u>Total Liability</u></b>	<b><u>Funded by State</u></b>	<b><u>Paid by District</u></b>
2016	\$ 1,899	\$ 8,748	\$ 10,647	\$ N/A	\$ 10,647

**Vesting and Benefit Provisions**

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7. PENSION PLANS (CONT'D)**

**Vesting and Benefit Provisions (Continued)**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A.43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 8 to 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for TPAF and PERS:

**Tier Definition**

- 1 Members enrolled before July 1, 2007
- 2 Members eligible for enrollment on or after July 1, 2007 and before November 2, 2008
- 3 Members eligible for enrollment on or after November 2, 2008 and on or before May 21, 2010
- 4 Members eligible for enrollment after May 21, 2010 and before June 28, 2011
- 5 Members eligible for enrollment on or after June 28, 2011

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

**Contributions**

**Teachers' Pension and Annuity Fund** - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount. Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, Accounting and Financial Reporting for Pensions. The Charter School was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2016 because of the 100% special funding situation with the State of New Jersey.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7. PENSION PLANS (CONT'D)**

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

<b><u>Year</u></b>	<b><u>Annual</u></b>	<b><u>Percentage</u></b>			<b><u>Net</u></b>
<b><u>Funding</u></b>	<b><u>Pension</u></b>	<b><u>of APC</u></b>			<b><u>Pension</u></b>
	<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>			<b><u>Obligation</u></b>
6/30/16	\$ 262,848	100	%	\$	N/A
6/30/15	21,360	100			N/A
6/30/14	N/A	N/A			N/A

During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$119,982 to the TPAF for pension contributions and \$142,866 for normal and post-retirement benefits on behalf of the School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$149,500 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.

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist. The Charter School's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

Contributions to the pension plan from the Charter School were \$11,217 for the fiscal year ended June 30, 2016. Employee contributions were \$13,555 for the fiscal year ended June 30, 2016.

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

**Teachers' Pension and Annuity Fund** - At June 30, 2016, the Charter School was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the Charter School.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. 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 employers and the State of New Jersey, actuarially determined.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7. PENSION PLANS (CONT'D)**

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

**Public Employees' Retirement System** - At June 30, 2016, the Charter School reported a liability of \$292,881 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 July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. 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 employers, actuarially determined. At June 30, 2016, the Charter School's proportion was .0013047092%

For the fiscal year ended June 30, 2016, the Charter School recognized \$63,121 in the government-wide financial statements, for pension expense for PERS.

At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,987	\$
Changes of assumptions	31,453	
Net difference between projected and actual earnings on pension plan investments		4,709
Changes in proportion and differences between District contributions and proportionate share of contributions	207,246	
Charter contributions subsequent to the measurement date	11,217	
Total	<u>\$ 256,903</u>	<u>\$ 4,709</u>

\$11,217 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>PERS</u>
2017	\$ 42,129
2018	42,129
2019	42,129
2020	42,129
2021	42,129
Thereafter	30,333
Total	<u>\$ 240,977</u>



**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7. PENSION PLANS (CONT'D)**

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

**Public Employees' Retirement System (Continued)** - Collective Balances at June 30, 2015 and 2016 are as follows:

	<u>Actuarial Valuation Date</u>	
	<u>6/30/2015</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	\$ 5,086,138,484	\$ 1,032,618,058
Collective deferred inflows of resources	\$ 478,031,236	\$ 1,726,631,532
Collective net pension liability	\$ 46,170,131,656	\$ 38,849,838,953
Charter's Proportion	0.0013047092%	n/a

**Actuarial Assumptions**

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 July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>TPAF</u>
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Valuation Date	July 1, 2014	July 1, 2014
Interest Rate	7.90%	7.90%
Salary Scale (Based on Age):		
2012-2021	2.15% - 4.40%	Varies based
Thereafter	3.15% - 5.40%	on Experience
Inflation	3.04%	2.50%

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were based on Scale AA. Preretirement 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. Postretirement 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.

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

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7. PENSION PLANS (CONT'D)**

**Actuarial Assumptions (Continued)**

Best estimates of arithmetic real rates of returns for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	PERS		TPAF	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	5.00%	0.53%
U.S. Treasuries	1.75%	1.64%	1.75%	1.39%
Investment Grade Credit	10.00%	1.79%	13.50%	2.72%
Mortgages	2.10%	1.62%	2.10%	2.54%
High Yield Bonds	2.00%	4.03%	2.00%	4.57%
Inflation-Indexed Bonds	1.50%	3.25%	1.50%	1.47%
Broad US Equities	27.25%	8.52%	27.25%	5.63%
Developed Foreign Equities	12.00%	6.88%	12.00%	6.22%
Emerging Market Equities	6.40%	10.00%	6.40%	8.46%
Private Equity	9.25%	12.41%	9.25%	9.15%
Hedge Funds/Absolute Return	12.00%	4.72%	12.00%	14.57%
Real Estate (Property)	2.00%	6.83%	4.25%	3.97%
Commodities	1.00%	5.32%	1.00%	3.58%
Timber	n/a	n/a	1.00%	4.61%
Farmland	n/a	n/a	1.00%	4.61%
Global Debt ex US	3.50%	-0.40%	n/a	n/a
Real Estate (REITS)	4.25%	5.12%	n/a	n/a
Total	100%		100%	

**Discount Rate** - The discount rate used to measure the total pension liability was 4.13% and 4.68% for TPAF as of June 30, 2015 and 2014, respectively, and 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For TPAF and PERS, these single blended discount rates were 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 rates for TPAF and PERS 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 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7. PENSION PLANS (CONT'D)**

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

**Teachers' Pension and Annuity Fund (TPAF)** - As indicated above, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution.

**Public Employees' Retirement System (PERS)** - The following presents the Charter School's proportionate share of the net pension liability at June 30, 2016 calculated using a discount rate of 4.90% for PERS, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (3.9%)	Current Discount (4.9%)	1% Increase (5.9%)
Charter's proportionate share of the net pension liability	\$ 364,015	\$ 292,881	\$ 233,243

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

**NOTE 8. POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 c 62. Funding of post retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 9. DEFERRED COMPENSATION**

The Board currently offers its employees the Equivest deferred compensation plan created in accordance with Internal Revenue Code Section 403(b).

**NOTE 10. RISK MANAGEMENT**

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

**Property and Liability Insurance** - The Charter School maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**New Jersey Unemployment Compensation Insurance** - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the Reserve method. Under this plan, the Charter School is required to contribute a percentage of wages to the New Jersey Unemployment Trust Fund on a quarterly basis. The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Charter School's expendable trust fund for the current:

<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>6/30/16 Balance</u>
\$ 3,440	\$ 3,449	\$ 4,014	\$ 38,261

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 108,498	\$ 17,319
Special Revenue		104,934
Food Service	16,002	
Unemployment Agency	1,317	3,564
<b>Total</b>	<b>\$ 125,817</b>	<b>\$ 125,817</b>

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 12. FUND BALANCE APPROPRIATED**

**General Fund** - Of the \$86,171 in General Fund balance at June 30, 2016, \$0 is restricted for Capital Reserve; \$36,485 is restricted for an Escrow Fund; 49,686 has been assigned for Year-end Encumbrances; \$0 has been appropriated or included as anticipated revenue for the year ending June 30, 2016; and a unrestricted and unassigned deficit of \$0.

**NOTE 13. LITIGATION**

In the opinion of the administration and legal counsel, the Charter School is not involved as a defendant in any legal proceedings of which the potential losses, if any, would not be material to the financial statements.

**NOTE 14. OPERATING LEASES AND SERVICE AGREEMENTS**

Prior to Katz Dalsey Academy Charter School's merger with Camden's Promise Charter School, Camden's Academy Charter High School and Camden's Pride Charter School on July 1, 2016, the following leases and service agreement were in effect:

**Lease Purchase Agreement of Building Space**

On January 14, 2014 Katz Dalsey Academy Charter School, Inc. entered into a sublease with Friends of Katz Dalsey Academy Charter School, Inc., known as the Parkside School. The agreement granted Katz Dalsey Academy Charter School, Inc. the right to occupy the Parkside School during certain designated after hours. The rental cost was \$10,000 and any increases thereafter, if any, were in accordance with the Consumer Price Index (CPI).

On July 1, 2013 Katz Dalsey Academy Charter School, Inc. entered into a sublease with Camden's Promise Charter School to occupy the Rosedale location. The rental cost was \$1,000 per student enrolled at the Rosedale location.

On May 10, 2012 Katz Dalsey Academy Charter School, Inc. entered into a sublease with Friends of Katz Dalsey Academy Charter School, Inc., known as the Parkside School. In the initial school year, the Parkside property operates Kindergarten through the Fourth grade. The rental cost is \$1,776 per student enrolled at the Parkside location.

**Charter Management Organization Agreement**

On June 16, 2015, the Katz Dalsey Academy Charter School, Inc. entered into a service agreement with Camden's Charter School Network, Inc. In accordance with the agreement, the Camden's Charter School Network, Inc. provided the Katz Dalsey Academy Charter School, Inc. with specified services for the period of July 1, 2015 through June 30, 2016. The Katz Dalsey Academy Charter School, Inc. paid Camden's Charter School Network, Inc. ten percent of the per pupil revenue received by Katz Dalsey Academy Charter School, Inc. as its management fee. The service agreement costs for the 2015-16 school year was \$436,483.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 14. OPERATING LEASES AND SERVICE AGREEMENTS (CONTINUED)**

Effective July 1, 2016, Camden's Pride Charter School, Camden's Academy Charter High School, Camden's Promise Charter School and Katz Dalsey Academy Charter School were merged into a single Charter School Organization, henceforth to be known as Camden's Promise Charter School. In anticipation of the merger, a new five year lease agreement was entered into on March 14, 2016 between the Camden's Charter School Network, Inc. and Camden's Promise Charter School. The lease agreement commenced July 1, 2016, with an automatic five year renewal provision at the end of the 2020-21 School Year.

The future minimum lease payments associated with this new rental agreement are reflected in Camden's Promise Charter School.

**NOTE 15. SUBSEQUENT EVENTS**

As of July 1, 2016, the Katz Dalsey Academy Charter School, Camden's Pride Charter School, Camden's Academy Charter High School and Camden's Promise Charter School will be merged into a K-12 District, under the name of Camden's Promise Charter School, as approved by the NJ Department of Education on February 3, 2016.

**End of Notes to Financial Statements**

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**



**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Revenue/</u>	<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Final to Actual</u>
					<u>Favorable/</u>
					<u>(Unfavorable)</u>
<b>REVENUES:</b>					
"Local Tax Levy"- Local Share - Charter School Aid:					
City of Camden	\$ 282,567	\$ (171,635)	\$ 110,932	\$ 110,932	\$
Deptford Township		10,707	10,707	10,707	
Township of Pennsauken		121,353	121,353	121,353	
Township of Mantua		11,396	11,396	11,396	
Lawnside Borough		5,631	5,631	5,631	
Merchantville Borough		18,436	18,436	18,436	
Cherry Hill Township		14,366	14,366	14,366	
Collingswood Borough		13,793	13,793	13,793	
Voorhees Township		11,034	11,034	11,034	
<b>Total - Local Levy</b>	<b>282,567</b>	<b>35,081</b>	<b>317,648</b>	<b>317,648</b>	
State Sources:					
"Local Tax Levy"- State Share - Charter School Aid:					
Equalization Aid	4,464,976	(903,953)	3,561,023	3,561,023	
Categorical Aids					
Special Education Aid	115,749	(67,966)	47,783	47,783	
Security Aid	176,800	(46,976)	129,824	129,824	
<b>Total Categorical Aids</b>	<b>4,757,525</b>	<b>(1,018,895)</b>	<b>3,738,630</b>	<b>3,738,630</b>	
Other State Aid:					
On-behalf TPAF Pension Contributions (Non-budgeted)				119,982	119,982
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				142,866	142,866
Reimbursed TPAF Social Security Contributions (Non-budgeted)				149,500	149,500
<b>Total Other State Aid</b>				<b>412,348</b>	<b>412,348</b>
<b>Total State Aid</b>	<b>4,757,525</b>	<b>(1,018,895)</b>	<b>3,738,630</b>	<b>4,150,978</b>	<b>412,348</b>
Revenue from Other Sources					
Miscellaneous				5,529	5,529
<b>Total Revenue from Other Sources</b>				<b>5,529</b>	<b>5,529</b>
<b>TOTAL REVENUES</b>	<b>\$ 5,040,092</b>	<b>\$ (983,814)</b>	<b>\$ 4,056,278</b>	<b>\$ 4,474,155</b>	<b>\$ 417,877</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES:</b>					
Regular Programs - Instruction:					
Salaries of Teachers - Kindergarten	\$ 285,000	\$	\$ 285,000	\$ 285,000	\$
Salaries of Teachers - Grades 1-5	1,520,900	204,668	1,725,568	1,725,568	
Other Salaries for Instruction					
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services		76,505	76,505	76,505	
Purchased Professional - Technical Services	125,000	(125,000)			
Other Purchased Services	15,000	41,256	56,256	56,255	1
General Supplies	50,000	360,604	410,604	410,604	
Textbooks	50,000	66,634	116,634	116,251	383
Other Objects	5,000	3,013	8,013	8,013	
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>\$ 2,050,900</b>	<b>\$ 627,680</b>	<b>\$ 2,678,580</b>	<b>\$ 2,678,196</b>	<b>\$ 384</b>

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>UNDISTRIBUTED EXPENDITURES:</b>					
Support Services/General Administration:					
Salaries - Administration	\$ 219,500	\$ (69,956)	\$ 149,544	\$ 149,079	\$ 465
Salaries of Secretarial/Clerical Assistants	57,000	(57,000)			
Legal Services					
Audit Fees		12,000	12,000	12,000	
Benefit Costs	682,500	(682,500)			
Purchased Professional/Tech Serv	115,000	(115,000)			
Other Purchased Professional Services			33,472	33,472	
Communications/Telephone	40,000	(32,123)	7,877	7,877	
Other Purchased Services	20,000	385,628	405,628	405,628	
General Supplies	30,000	(22,449)	7,551	5,033	2,518
Miscellaneous Expenditures	5,000	(1,422)	3,578	3,578	
<b>Total Support Services/General Administration</b>	<b>\$ 1,169,000</b>	<b>\$ (549,350)</b>	<b>\$ 619,650</b>	<b>\$ 616,667</b>	<b>\$ 2,983</b>
Support Services/School Administration:					
Salaries of Secretarial and Clerical Assistants	\$ 123,300	\$ (60,300)	\$ 63,000	\$ 62,417	\$ 583
Purchased Professional - Technical Services	20,000	189,331	209,331	209,331	
Other Purchased Services	15,000	(10,712)	4,288	4,288	
Rental of Land and Buildings	544,160	(99,893)	444,267	444,267	
Contracted Services (Home/School) - Vendors		893	893		893
Transportation - Other than to/from school	5,000	(5,000)			
Other Objects	5,000	(5,000)			
Supplies & Materials	20,000	51,844	71,844	71,844	
Insurance	66,000	7,044	73,044	73,044	
Energy (Electricity)	150,000	(76,797)	73,203	73,203	
<b>Total Support Services/School Administration:</b>	<b>948,460</b>	<b>(8,590)</b>	<b>939,870</b>	<b>938,394</b>	<b>1,476</b>
Unallocated Benefits:					
Other Retirement Contributions - PERS		11,237	11,237	11,237	
Unemployment Compensation					
Health Benefits		582,564	582,564	582,533	31
<b>Total Unallocated Benefits</b>		<b>593,801</b>	<b>593,801</b>	<b>593,770</b>	<b>31</b>

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Expenditures</u>	<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>		<u>Final to Actual</u>
					<u>Favorable/</u>
					<u>(Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
On-behalf TPAF Pension Contributions (Non-budgeted) \$	\$		\$	\$ 119,982	\$ (119,982)
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				142,866	(142,866)
Reimb.TPAF Social Security Contrib. (Non-budgeted)				149,500	(149,500)
Total Undistributed Expenditures	<u>2,117,460</u>	<u>35,861</u>	<u>2,153,321</u>	<u>2,561,179</u>	<u>(407,858)</u>
<b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>	<u>4,168,360</u>	<u>663,541</u>	<u>4,831,901</u>	<u>5,239,375</u>	<u>(407,474)</u>
Facilities Acquisition and Construction Services					
Buildings Other than Lease Purchase Agreements		200,605	200,605	150,919	49,686
Total Facilities Acquisition & Construction Services		<u>200,605</u>	<u>200,605</u>	<u>150,919</u>	<u>49,686</u>
Capital Outlay					
Increase in Capital Reserve		208,211	208,211		208,211
Total Capital Outlay		<u>408,816</u>	<u>408,816</u>	<u>150,919</u>	<u>257,897</u>
<b>TOTAL EXPENDITURES</b>	<u>4,168,360</u>	<u>1,072,357</u>	<u>5,240,717</u>	<u>5,390,294</u>	<u>(149,577)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	871,732	(2,056,171)	(1,184,439)	(916,139)	268,300
Other Financing Sources (Uses):					
Transfer to Food Service Fund					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	871,732	(2,056,171)	(1,184,439)	(916,139)	268,300
Fund Balances, July 1	1,002,310		1,002,310	1,002,310	
Fund Balances, June 30	<u>\$ 1,874,042</u>	<u>\$ (2,056,171)</u>	<u>\$ (182,129)</u>	<u>\$ 86,171</u>	<u>\$ 268,300</u>
<b>RECAPITULATION :</b>					
Reserved:					
Escrow Account				\$ 36,485	
Assigned to:					
Year-End Encumbrances				49,686	
Unreserved:					
Unrestricted Fund Balance					
<b>TOTAL</b>				<u>\$ 86,171</u>	

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**AS OF JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Federal Sources	\$ 622,672	\$ (69,248)	\$ 553,424	\$ 553,155	\$ (269)
Local Sources					
<b>Total Revenues</b>	<u>622,672</u>	<u>(69,248)</u>	<u>553,424</u>	<u>553,155</u>	<u>(269)</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries	332,733		332,733	332,733	
<b>Total Instruction</b>	<u>332,733</u>		<u>332,733</u>	<u>332,733</u>	
<b>Support Services</b>					
Employee Benefits	83,253		83,253	82,984	269
Purchased Professional & Technical Services - Other	174,898	(69,145)	105,753	105,753	
Other Purchased Services	27,288	4,397	31,685	31,685	
<b>Total Support Services</b>	<u>285,439</u>	<u>(64,748)</u>	<u>220,691</u>	<u>220,422</u>	<u>269</u>
<b>Facilities Acquisition and Construction Services:</b>					
Equipment	4,500	(4,500)			
<b>Total Facilities Acquisition and Construction Services</b>	<u>4,500</u>	<u>(4,500)</u>			
<b>Total Expenditures</b>	<u>622,672</u>	<u>(69,248)</u>	<u>553,424</u>	<u>553,155</u>	<u>269</u>
<b>Other Financing Sources (Uses)</b>					
<b>Total Outflows</b>	<u>622,672</u>	<u>(69,248)</u>	<u>553,424</u>	<u>553,155</u>	<u>269</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
<b>Expenditures and Other Financing Sources (Uses)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**PART II**

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET-TO-GAAP RECONCILIATION**  
**NOTE TO RSI**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 4,474,155		[C-2] \$ 553,155
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. State aid payment recognized for budgetary purposes, not recognized for GAAP statements			
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	[B-2] \$ 4,474,155		[B-2] \$ 553,155
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 5,390,294		[C-2] \$ 553,155
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.  Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfers (outflows) to general fund			
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2] \$ 5,390,294		[B-2] \$ 553,155

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART III**

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.

Schedules of Required Supplementary Information

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**Public Employee's Retirement System**

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability(Asset)	0.13047092%	N/A
District's Proportionate Share of the Net Pension Liability (Asset)	292,881	N/A
District's Covered-Employee Payroll	\$ 192,004	\$ 103,825
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	152.54%	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.



SCHEDULE L-2

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.

Schedules of Required Supplementary Information

SCHEDULE OF THE DISTRICT CONTRIBUTIONS

Public Employee's Retirement System (PERS)

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	_____	_____
Contribution Deficiency (Excess)	=====	=====
District's Covered-Employee Payroll	\$ 192,004	\$ 103,825
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.

Schedules of Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

Teachers Pension Plan

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability(Asset)	0.001527%	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 965,068	\$ N/A
District's Covered-Employee Payroll	\$ 1,858,274	\$ 1,473,517
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	0.519335685	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**SCHEDULE L-4**

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS**

**Teachers Pension Plan**

The School District was not required to make any contributions towards TPAF.

Note: This schedule is required by GASB 68 to show information for a 10 year period. However, information is only currently available for three years. Additional years will be presented as they become available.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**PART III**

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART III  
Pension Schedules

For the Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

**OTHER SUPPLEMENTARY INFORMATION**

## **SPECIAL REVENUE FUND**

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES -**  
**BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	NCLB Title I	NCLB Title II	IDEA Preschool	IDEA Basic	Charter Implementation Competitive	Totals	
						2016	2015
<b>REVENUES:</b>							
Federal Sources	\$ 447,402	\$ 2,398	\$ 1,613	\$ 70,887	\$ 30,855	\$ 553,155	\$ 445,269
Local Sources							
<b>Total Revenues</b>	<b>\$ 447,402</b>	<b>\$ 2,398</b>	<b>\$ 1,613</b>	<b>\$ 70,887</b>	<b>\$ 30,855</b>	<b>\$ 553,155</b>	<b>\$ 445,269</b>
<b>EXPENDITURES:</b>							
<b>Instruction:</b>							
Salaries	\$ 332,733					\$ 332,733	\$ 244,547
Supplies & Materials							5,017
<b>Total Instruction</b>	<b>332,733</b>					<b>332,733</b>	<b>249,564</b>
<b>Support Services:</b>							
Employee Benefits	82,984					82,984	33,620
Purchased Prof. & Technical Services		2,398	1,613	70,887	30,855	105,753	137,085
Other Purchased Services	31,685					31,685	25,000
<b>Total Support Services</b>	<b>114,669</b>	<b>2,398</b>	<b>1,613</b>	<b>70,887</b>	<b>30,855</b>	<b>220,422</b>	<b>195,705</b>
<b>Facilities Acquisitions &amp; Const Serv:</b>							
Property							
<b>Total Facilities Acquisition &amp; Const Serv</b>							
<b>Total Expenditures</b>	<b>\$ 447,402</b>	<b>\$ 2,398</b>	<b>\$ 1,613</b>	<b>\$ 70,887</b>	<b>\$ 30,855</b>	<b>\$ 553,155</b>	<b>\$ 445,269</b>



## **PROPRIETARY FUND**

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

**Food Services Fund** – This fund provides for the operation of food services in the school.

**Before and After Care Program** – This fund provides for the supervision of students due to the extended day beyond the regular school hours.

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

**EXHIBIT G-1**

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**FOOD SERVICES ENTERPRISE FUND**  
**COMBINING SCHEDULE OF NET POSITION**  
**AS OF JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	<b>Totals</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 27,297	\$ 6,888
Accounts Receivable:		
State	98	802
Federal	7,309	56,161
Other		
Interfund Accounts Receivable	16,002	16,002
Total Current Assets	<u>\$ 50,706</u>	<u>\$ 79,853</u>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Intergovernmental Accounts Payable	\$ 23,405	\$ 79,853
Total Current Liabilities	<u>23,405</u>	<u>79,853</u>
Net Position:		
Unrestricted Retained Earnings	27,301	
Total Net Position	<u>27,301</u>	
Total Liabilities and Net Position	<u>\$ 50,706</u>	<u>\$ 79,853</u>

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
FOOD SERVICES ENTERPRISE FUND  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>Totals</u>	
	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES:</b>		
Local Sources:		
Daily Sales - Reimbursable Programs:	\$	\$ 440
Total Operating Revenue		440
<b>OPERATING EXPENSES:</b>		
Satellite Operation Cost	230,488	204,552
Other Food Costs	13,459	8,553
Miscellaneous		378
Total Operating Expenses	243,947	213,483
Operating Loss	(243,947)	(213,043)
Non-Operating Revenues:		
State Sources:		
State School Lunch Program	3,003	2,615
Federal Sources:		
School Breakfast Program	58,802	42,852
National School Lunch Program	169,883	123,168
National School Snack Program	26,101	19,332
Food Distribution Program	13,459	8,553
Total Non-Operating Revenues	271,248	196,520
Net Income before Operating Transfers	27,301	(16,523)
Transfer from General Fund		12,998
Net Income	27,301	(3,525)
Net Position - July 1		3,525
Net Position - June 30	\$ 27,301	\$

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**FOOD SERVICES ENTERPRISE FUND**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**AS OF JUNE 30, 2016 AND 2015**

	<b>Food Service Fund</b>	<b>Totals</b>	
		<b>2016</b>	<b>2015</b>
Cash Flows from Operating Activities:			
Receipts from Customers	\$	\$	\$ 440
Payments to Suppliers	(250,839)	(250,839)	(233,390)
Net Cash Used by Operating Activities	(250,839)	(250,839)	(232,950)
Cash Flows from Non-capital Financing Activities			
State and Federal Sources	271,248	271,248	196,520
Transfer from General Fund			12,998
Net Cash Provided by Non-capital Financing Activities	271,248	271,248	209,518
Net Cash Provided by Investment Interest Activities			
Net Increase in Cash	20,409	20,409	(23,432)
Cash and Cash Equivalents, July 1	6,888	6,888	30,320
Cash and Cash Equivalents, June 30	\$ 27,297	\$ 27,297	\$ 6,888
Operating Income (Loss)	\$ (243,947)	\$ (243,947)	\$ (213,043)
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:			
Change in Assets and Liabilities:			
Decrease/(Increase) in Accounts Receivable	49,556	49,556	(31,836)
Decrease/(Increase) in Interfund Accounts Receivable			(12,998)
(Decrease)/Increase in Accounts Payable			
(Decrease)/Increase in Intergovernmental Accounts Payable	(56,448)	(56,448)	24,927
Net Cash Used by Operating Activities	\$ (250,839)	\$ (250,839)	\$ (232,950)

## FIDUCIARY FUNDS

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

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

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

**Payroll Fund** – This agency fund is used to account for the payroll transactions of the school.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	Expendable			Total	
	<u>Unemployment Trust</u>	<u>Student Activities</u>	<u>Payroll</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 38,261	\$ 695	\$ 6,715	\$ 45,671	\$ 49,792
Due from General Fund		1,317		1,317	1,317
Total Assets	<u>\$ 38,261</u>	<u>\$ 2,012</u>	<u>\$ 6,715</u>	<u>\$ 46,988</u>	<u>\$ 51,109</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Payroll Deductions and Withholdings	\$	\$	\$ 3,151	\$ 3,151	\$ 7,197
Due to Current Fund			3,564	3,564	2,114
Due to Student Groups		2,012		2,012	6,312
Total Liabilities		<u>2,012</u>	<u>6,715</u>	<u>8,727</u>	<u>15,623</u>
Net Position:					
Unrestricted for Unemployment Claims	38,261			38,261	35,486
Total Liabilities and Net Position	<u>\$ 38,261</u>	<u>\$ 2,012</u>	<u>\$ 6,715</u>	<u>\$ 46,988</u>	<u>\$ 51,109</u>

EXHIBIT H-2

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
COMBINING STATEMENT OF CHANGES  
IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expendable Trust Unemployment Funds</u>
<b>OPERATING REVENUES:</b>	
Employee Deduction	\$ 3,349
Board Contribution	3,440
	<hr/>
Total Revenues	6,789
	<hr/>
<b>OPERATING EXPENSES:</b>	
Unemployment Claims	4,014
	<hr/>
Total Expenses	4,014
	<hr/>
<b>NONOPERATING REVENUES:</b>	
Interest	<hr/>
Total Non-operating Revenues	<hr/>
Change in Net Position	2,775
Net Position Beginning of Year	35,486
	<hr/>
Net Position End of Year	\$ 38,261
	<hr/> <hr/>

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>
Student Activity Fund	\$ 6,312	\$ 25,642	\$ 29,942	\$ 2,012



**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 9,311	\$ 2,786,805	\$ 2,789,401	\$ 6,715
Total Assets	<u>\$ 9,311</u>	<u>\$ 2,786,805</u>	<u>\$ 2,789,401</u>	<u>\$ 6,715</u>
<b>LIABILITIES AND RESERVES:</b>				
Payroll Deductions and Withholdings	\$ 7,197	\$ 2,784,767	\$ 2,788,813	\$ 3,151
Due to Current	2,114	2,038	588	3,564
Total Liabilities	<u>9,311</u>	<u>2,786,805</u>	<u>2,789,401</u>	<u>6,715</u>
Total Liabilities and Reserves	<u>\$ 9,311</u>	<u>\$ 2,786,805</u>	<u>\$ 2,789,401</u>	<u>\$ 6,715</u>

**STATISTICAL SECTION**

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NET POSITION BY COMPONENT**  
**FOUR FISCAL YEARS**  
*(Accrual Basis of Accounting)*  
*(UNAUDITED)*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental Activities</b>				
Restricted	\$ 175,000	\$ 232,598	\$ 532,598	\$ 36,485
Assigned Year - End Endcumbrances		91,483		
Unrestricted	170,592	205,482	469,712	8,999
<b>Total Governmental Activities Net Position</b>	<b>\$ 345,592</b>	<b>\$ 529,563</b>	<b>\$ 1,002,310</b>	<b>\$ 45,484</b>
<b>Business-Type Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$
Unrestricted		3,525		27,301
<b>Total Business-Type Activities Net Position</b>	<b>\$</b>	<b>\$ 3,525</b>	<b>\$</b>	<b>\$ 27,301</b>
<b>District-Wide</b>				
Restricted:				
Escrow Account	\$ 75,000	\$ 75,000	\$ 75,000	\$ 36,485
Capital Reserve	100,000	157,598	457,598	
Assigned		91,483		
Unrestricted	170,592	209,007	469,712	36,300
<b>Total District-Wide Net Position</b>	<b>\$ 345,592</b>	<b>\$ 533,088</b>	<b>\$ 1,002,310</b>	<b>\$ 72,785</b>

Source: CAFR Schedule A-1

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**CHANGES IN NET POSITION**  
**FOUR FISCAL YEARS**  
*(Accrual Basis of Accounting)*  
*(UNAUDITED)*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Expenses</b>				
Governmental Activities				
Instruction	\$ 1,233,007	\$ 1,853,044	\$ 2,231,612	\$ 3,010,929
Support Services				
School Administrative Services	353,426	480,141	594,505	837,089
General Administrative Services	847,953	794,137	1,004,290	1,089,313
Employee Benefits		454,811	679,356	985,749
Total Governmental Activities Expenses	<u>2,434,386</u>	<u>3,582,133</u>	<u>4,509,763</u>	<u>5,923,080</u>
Business-Type Activities				
Food Service	109,315	153,086	213,483	243,947
Total Business-Type Activities Expense	<u>109,315</u>	<u>153,086</u>	<u>213,483</u>	<u>243,947</u>
Total District Expenses	<u>\$ 2,543,701</u>	<u>\$ 3,735,219</u>	<u>\$ 4,723,246</u>	<u>\$ 6,167,027</u>
<b>Program Revenues</b>				
Governmental Activities				
Operating Grants and Contributions	\$ 154,756	\$ 353,545	\$ 1,116,370	\$ 553,155
Total Governmental Activities Program Revenues	<u>154,756</u>	<u>353,545</u>	<u>1,116,370</u>	<u>553,155</u>
Business-Type Activities				
Charges for Services				
Food Service	4,404	6,836	440	
Operating Grants and Contributions	102,342	149,775	196,520	271,248
Total Business-Type Activities Program Revenues	<u>106,746</u>	<u>156,611</u>	<u>196,960</u>	<u>271,248</u>
Total District Program Revenues	<u>\$ 261,502</u>	<u>\$ 510,156</u>	<u>\$ 1,313,330</u>	<u>\$ 824,403</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (2,279,630)	\$ (3,228,588)	\$ (3,393,393)	\$ (5,369,925)
Business-Type Activities	(2,569)	3,525	(16,523)	27,301
Total District-Wide Net Expense	<u>\$ (2,282,199)</u>	<u>\$ (3,225,063)</u>	<u>\$ (3,409,916)</u>	<u>\$ (5,342,624)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities				
Property Taxes Levied for General Purposes, Net	\$ 98,269	\$ 166,512	\$ 255,496	\$ 317,648
Unrestricted Grants and Contributions	2,499,743	3,191,454	3,593,657	4,089,922
Miscellaneous Income	30,782	54,593	29,985	5,529
Transfers	(3,572)		(12,998)	
Total Governmental Activities	<u>2,625,222</u>	<u>3,412,559</u>	<u>3,866,140</u>	<u>4,413,099</u>
Business-Type Activities				
Transfer	2,569		12,998	
Total Business-Type Activities	<u>2,569</u>		<u>12,998</u>	
Total District-Wide	<u>\$ 2,627,791</u>	<u>\$ 3,412,559</u>	<u>\$ 3,879,138</u>	<u>\$ 4,413,099</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 345,592	\$ 183,971	\$ 472,747	\$ (956,826)
Business-Type Activities		3,525	(3,525)	27,301
Total District-Wide	<u>\$ 345,592</u>	<u>\$ 187,496</u>	<u>\$ 469,222</u>	<u>\$ (929,525)</u>

Source: CAFR Schedule A-2

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**FUND BALANCES-GOVERNMENTAL FUNDS**

**FOUR FISCAL YEARS**

*(Modified Accrual Basis of Accounting)*

*(UNAUDITED)*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund				
Restricted				
Escrow Account	\$ 75,000	\$ 75,000	\$ 75,000	\$ 36,485
Capital Reserve	100,000	157,598	457,598	
Assigned				
Encumbrances	44,522		150,919	49,686
Subsequent Year's Expenditures		91,483		
Unassigned	126,070	205,482	318,793	-
Total General Fund	<u>\$ 345,592</u>	<u>\$ 529,563</u>	<u>\$ 1,002,310</u>	<u>\$ 86,171</u>
All Other Governmental Funds				
Restricted	\$	\$	\$	\$
Unrestricted, Reported in:				
Special Revenue Fund				
Total All Other Governmental Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: CAFR Schedule B-1

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**FOUR FISCAL YEARS**  
*(UNAUDITED)*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>				
Tax Levy	\$ 98,269	\$ 166,512	\$ 255,496	\$ 317,648
Miscellaneous	30,782	54,593	29,985	5,529
State Sources	2,499,743	3,191,454	4,264,758	4,150,978
Federal Sources	154,756	353,545	445,269	553,155
<b>Total Revenues</b>	<u>2,783,550</u>	<u>3,766,104</u>	<u>4,995,508</u>	<u>5,027,310</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular Instruction	1,233,007	1,853,044	2,231,612	3,010,929
<b>Support Services</b>				
School Administrative Services	353,426	480,141	594,505	837,089
General Administrative Services	847,953	794,137	1,004,290	938,394
Employee Benefits		454,811	679,356	1,006,118
Capital Outlay				150,919
<b>Total Expenditures</b>	<u>2,434,386</u>	<u>3,582,133</u>	<u>4,509,763</u>	<u>5,943,449</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>349,164</u>	<u>183,971</u>	<u>485,745</u>	<u>(916,139)</u>
<b>Other Financing Sources (Uses)</b>				
Capital Lease (Non-budgeted)				
Transfers	(3,572)		(12,998)	
<b>Total Other Financing Sources (Uses)</b>	<u>(3,572)</u>		<u>(12,998)</u>	
<b>Net Change in Fund Balances</b>	<u>\$ 345,592</u>	<u>\$ 183,971</u>	<u>\$ 472,747</u>	<u>\$ (916,139)</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

Source: CAFR Schedule B-2

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
FOUR FISCAL YEARS  
*(UNAUDITED)*

<u>Fiscal Year Ended June 30,</u>	<u>Donation</u>	<u>Prior Year P.O. Adjustment</u>	<u>Misc.</u>	<u>Total</u>
2016	\$	\$ 3,359	2,170	\$ 5,529
2015	23,182	4,803	2,000	29,985
2014	31,950	14,888	7,755	54,593
2013	30,782			30,782

Source: District Records

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS\*\***  
**FOUR FISCAL YEARS**  
*(UNAUDITED)*

<u>Year</u>	<u>Population</u> <sup>a</sup>	<u>Personal Income (thousands of dollars)</u> <sup>b</sup>	<u>Per Capita Personal Income</u> <sup>c</sup>	<u>Unemployment Rate</u> <sup>d</sup>
2016 *	76,021	\$ 3,600,052,920	\$ 47,356	11.0%
2015	76,119	3,586,760,011	47,120	11.1%
2014	76,504	3,586,966,544	46,886	12.7%
2013	77,023	3,471,965,771	45,077	16.0%

\*\* The above demographics reflect the entire City of Camden.

The students of The KATZ Academy Charter School represents approximately 1.5% of the total number of students in the City of Camden.

\* Estimate

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income

<sup>c</sup> Per Capita (County vs. Municipal information)

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development



**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**FOUR FISCAL YEARS**  
*(UNAUDITED)*

<b><u>Function/Program</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Instruction				
Regular	17	39	42	40
Special education	2	4	6	6
Support Services:				
Student & instruction related services				
General administrative services	3	3	3	3
School administrative services	1	1	1	1
Total	<u>23</u>	<u>47</u>	<u>52</u>	<u>50</u>

**Source:** District Personnel Records

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**OPERATING STATISTICS**  
**FOUR FISCAL YEARS**  
*(UNAUDITED)*

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio Elem.</u>	<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2016	320	\$ 5,943,449	\$ 18,573	46	15:1	319.2	307.9	0.36%	96.46%
2015	316	4,509,763	14,271	48	15:1	318.04	303.96	33.31%	95.57%
2014	239	3,582,133	14,988	48	15:1	238.58	227.16	24.26%	95.21%
2013	195	2,341,840	12,009	19	15:1	192	169	NA	88.02%

**Sources:** District records, ASSA and Schedule J-14

**Note:** Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- 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)

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**SCHOOL BUILDING INFORMATION**  
**FOUR FISCAL YEARS**  
*(UNAUDITED)*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>District Building</u></b>				
<b><u>Elementary</u></b>				
Parkside				
Square Feet	33,066	33,066	33,066	33,066
Capacity (students)	334	334	334	334
Enrollment	135	149	160	148
Rosedale				
Square Feet	12,800	12,800	12,800	12,800
Capacity (students)	500	500	500	500
Enrollment	60	90	160	172
<b><u>Other</u></b>	N/A			

Number of Schools at June 30, 2016

    Elementary = 2

**Source:** District records, ASSA

**Note:** Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of any additions. Enrollment is based on the annual October district count.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**INSURANCE SCHEDULE**  
**JUNE 30, 2016**  
**(UNAUDITED)**

Company	Type of Coverage	Coverage	Deductible
	July 1, 2015 - June 30, 2016:		
NJSBAIG	Commercial Policy		
	Property - Blanket Building & Personal Property	\$ 280,600	\$ 5,000
	Comprehensive General Liability		
	Products and Completed Operations	16,000,000	
	Personal Advertising Injury	16,000,000	
	Bodily Injury & Property Damage	16,000,000	
	Commercial Inland Marine Section		
	Blanket Computer Hardware and Software	40,000	1,000
	Boiler and Machinery	100,000,000	1,000
	Employee Dishonesty Coverage	100,000	1,000
	Business Auto	16,000,000	1,000
	School District Legal Liability Policy	16,000,000	5,000
	Workman's Compensation:		
	Bodily Injury from Accident	2,000,000	
	Bodily Injury from Disease/Aggregate Limit	2,000,000	
	Bodily Injury from Disease/ Each Employee	2,000,000	
	Student Accident Policies		
Berkley Ins. Co.	Compulsory Student Accident Coverage	1,000,000	
Markel Ins. Co.	Catastrophic Student Accident Coverage	50,000,000	
	Catastrophic Cash Benefit - Maximum Benefit	500,000	25,000
	Surety Bonds		
NJSIG	Treasurer	250,000	
Ohio Casualty	Business Administrator	50,000	

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**CHARTER SCHOOL PERFORMANCE FRAMEWORK**  
**FINANCIAL PERFORMANCE - FISCAL RATIOS**  
**JUNE 30, 2016**  
**(UNAUDITED)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>		<u>Source</u>
Cash	\$ 644,246	\$ 825,654	\$ 55,130		Audit: Exhibit A-1
Current Assets	879,623	1,145,463	269,040		Audit: Exhibit A-1
Total Assets	879,623	1,145,463	269,040		Audit: Exhibit A-1
Current Liabilities	346,535	143,153	155,568		Audit: Exhibit A-1
Total Liabilities	346,535	143,153	155,568		Audit: Exhibit A-1
Net Position	\$ 533,088	\$ 1,002,310	\$ 72,785		Audit: Exhibit A-1
Total Revenue	3,922,715	5,192,468	5,237,502		Audit: Exhibit A-2
Total Expenses	3,735,219	4,723,246	6,167,027		Audit: Exhibit A-2
Change in Net Position	\$ 187,496	\$ 469,222	\$ (929,525)		Audit: Exhibit A-2
Depreciation Expense	N/A	N/A	N/A		Financial Statements/ Audit Workpapers
Interest Expense	N/A	N/A	N/A		Financial Statements/ Audit Workpapers
Principal Payments	N/A	N/A	N/A		Financial Statements/ Audit Workpapers
Interest Payments	N/A	N/A	N/A		Financial Statements/ Audit Workpapers
Final Average Daily Enrollment	192	192	319		DOE Enrollment Reports
March 30th Budgeted Enrollment	195	195	400		Charter School Budget
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>3 Year Cumulative</u>	<u>Source</u>
<b>Near Term Indicators</b>					
Current Ratio	2.54	8.00	1.73	3.56	Current Assets/ Current Liabilities
Unrestricted Days Cash	62.95	63.80	3.26	38.06	Cash/ (Total Expenses/365)
Enrollment Variance	98%	98%	80%	89%	Average Daily Enrollment / Budgeted Enrollment
Default	N/A	N/A	N/A	N/A	Audit
<b>Sustainability Indicators</b>					
Total Margin	5%	9%	-18%	-2%	Change in Net Position/ Total Revenue
Debt to Asset	0.39	0.12	0.58	0.28	Total Liabilities/ Total Assets
Cash Flow	N/A	181,408	(770,524)	(589,116)	Net change in cash flow from prior years
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	(Change in Net Position+Interest Expense) (Principal & Interest Payments)

**SINGLE AUDIT SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

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

### INDEPENDENT AUDITOR'S REPORT

To The Members of  
The Board of Trustees  
Katz Dalsey Academy Charter School, Inc.  
County of Camden, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Trustees of the Katz Dalsey Academy Charter School, Inc. , in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board of Trustees of the Katz Dalsey Academy Charter School, Inc.'s basic financial statements and have issued our report thereon dated November 1, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Katz Dalsey Academy Charter School, Inc. Board of Trustees' internal control over financial reporting as a basis for designing our auditing procedures 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 Katz Dalsey Academy Charter School, Inc. Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Katz Dalsey Academy Charter School, Inc. Board of Trustees' internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs to be a significant deficiency, labeled Finding 2016-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Katz Dalsey Academy Charter School, Inc. Board of Trustees' 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 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 one instance 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 and are described in the accompanying schedule of findings and questioned costs as items labeled finding 2016-2.

**Katz Dalsey Academy Charter School, Inc. Board of Trustees' Response to Findings**

Katz Dalsey Academy Charter School, Inc. Board of Trustees' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

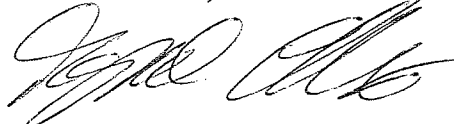
**Purpose of this Report**

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

This report is intended solely for the information and use of management, the Katz Dalsey Academy Charter School, Inc. Board of Trustees, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, PA**



Raymond Colavita, CPA  
Licensed Public School Accountant  
No. 915  
November 1, 2016



# NIGHTLINGER, COLAVITA & VOLPA

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE  
OF EXPENDITURES REQUIRED BY THE UNIFORM ADMINISTRATIVE REQUIREMENTS,  
COST PRINCIPLES AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS  
(UNIFORM GUIDANCE) AND NEW JERSEY OMB CIRCULAR 15-08**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Trustees  
Katz Dalsey Academy Charter School, Inc.  
County of Camden, New Jersey

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

We have audited the Board of Trustees of the Katz Dalsey Academy Charter School, Inc. , in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Katz Dalsey Academy Charter School, Inc. 's major federal and state programs for the fiscal year ended June 30, 2016. The Katz Dalsey Academy Charter School, Inc. Board of Trustees' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Katz Dalsey Academy Charter School, Inc. Board of Trustees' major federal and state compliance based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and as prescribed by the Office of School Finance, *Department of Education, State of New Jersey, Uniform Guidance* and New Jersey OMB 15-08. Those standards, Uniform Guidance and New Jersey OMB 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Katz Dalsey Academy Charter School, Inc. Board of Trustees' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Katz Dalsey Academy Charter School, Inc. Board of Trustees' compliance with those requirements.

### Opinion on Each Major Program

In our opinion, the Board of Trustees of the Katz Dalsey Academy Charter School, Inc. , in the County of Camden, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

### Report on Internal Control Over Compliance

Management of the Katz Dalsey Academy Charter School, Inc. 's Board of Trustees is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to major federal and state programs. In planning and performing our audit, we considered Katz Dalsey Academy Charter School, Inc. Board of Trustees' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance in accordance with Uniform Guidance and New Jersey OMB 15-08, 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 Katz Dalsey Academy Charter School, Inc. Board of Trustees' internal control over compliance.

*A deficiency in internal control over compliance* 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

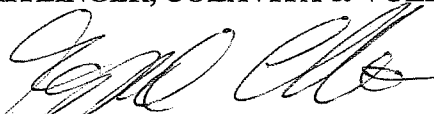
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and New Jersey OMB 15-08.

This report is intended solely for the information and use of the audit committee, management, the Katz Dalsey Academy Charter School, Inc. Board of Trustees, the New Jersey State Department of Education, other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, PA**



Raymond Colavita, CPA  
Licensed Public School Accountant  
No. 915  
November 1, 2016

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/ Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015	Cash Received	Budgetary Expenditures Pass Through Funds	Budgetary Expenditures Direct	Total Budgetary Expenditures	Adjustment	Balance at June 30, 2016		
					From	To							(Accounts Receivable)	Unearned Revenue	Due to Grantor
U.S. Department of Agriculture															
Passed-through State Department of Education:															
Enterprise Fund:															
National School Lunch Program	10.555	16161NJ304N1099	N/A	\$ 123,168	7/1/14to	6/30/15	(\$37,573)	\$ 37,573	\$	\$	\$	\$	\$	\$	
National School Lunch Program	10.555	16161NJ304N1099	N/A	169,883	7/1/15to	6/30/16		164,352	(169,883)		(169,883)		(5,531)		
National School Snack Program	10.555	16161NJ304N1099	N/A	19,332	7/1/14to	6/30/15	(5,248)	5,248							
National School Snack Program	10.555	16161NJ304N1099	N/A	26,101	7/1/15to	6/30/16		26,101	(26,101)		(26,101)				
Food Distribution Program	10.565	16161NJ304N1099	N/A	13,459	7/1/15to	6/30/16		13,459	(13,459)		(13,459)				
School Breakfast Program	10.553	16161NJ304N1099	N/A	42,852	7/1/14to	6/30/15	(13,340)	13,340							
School Breakfast Program	10.553	16161NJ304N1099	N/A	58,802	7/1/15to	6/30/16		57,024	(58,802)		(58,802)		(1,778)		
<b>Total Enterprise Fund:</b>							<b>(56,161)</b>	<b>317,097</b>	<b>(268,245)</b>		<b>(268,245)</b>		<b>(7,309)</b>		
U.S. Department of Education															
Passed-through State Department of Education:															
Special Revenue Fund:															
Title I, Part A	84.010A	S010A150030	NCLB-6083-15	258,263	7/1/14to	6/30/15	(112,540)	112,540							
Title I, Part A	84.010A	S010A150030	NCLB-6083-16	447,774	7/1/15to	6/30/16		259,484	(447,402)		(447,402)		(187,918)		
Title II Part A	84.367A	S367A150029	NCLB-6083-16	2,398	7/1/15to	6/30/16		2,398	(2,398)		(2,398)				
IDEA - Part B, Basic Regular	84.027	H027A150100	IDEA-6083-16	70,887	7/1/15to	6/30/16		70,887	(70,887)		(70,887)				
IDEA - Preschool	84.173	H173A150114	IDEA-6083-16	1,613	7/1/15to	6/30/16		1,613	(1,613)		(1,613)				
Charter Implementation Competitive	84.282	U282A120015	900199	100,000	11/1/14to	10/31/15	(109,145)	140,000	(30,855)		(30,855)				
Charter Implementation Competitive	84.282	U282A120015	900199	174,990	11/1/13to	10/31/14	(26,496)	26,500				(4)			
							<b>(248,181)</b>	<b>613,422</b>	<b>(553,155)</b>		<b>(553,155)</b>		<b>(4)</b>	<b>(187,918)</b>	
<b>Total Federal Financial Awards</b>							<b>\$ (304,342)</b>	<b>\$ 930,519</b>	<b>\$ (821,400)</b>		<b>\$ (821,400)</b>		<b>(4)</b>	<b>\$ (195,227)</b>	

The accompanying Notes to the Financial statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.  
 These funds were audited in accordance with the Uniform Guidance since the total of all grant expenditures exceeded \$750,000.

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)**  
**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		Balance at June 30, 2015			Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2016			
					Unearned Revenue (Accts. Rec.)	Cash Received	Budgetary Expenditures		(Accounts Receivable) From Districts	From State	Unearned Revenue/ Interfund Payable	Due to Grantor
<b>State Department of Education</b>												
General Fund												
Equalization Aid	16-495-034-5120-078	\$3,561,023	7/1/15	to 6/30/16	\$	\$	\$					
Equalization Aid	15-495-034-5120-078	3,914,309	7/1/14	to 6/30/15	(3,633)	3,633						5,402
Special Education	16-495-034-5120-089	47,783	7/1/15	to 6/30/16		47,266	(47,783)		(517)			
Special Education	15-495-034-5120-089	55,896	7/1/14	to 6/30/15	9,650	(9,650)						
Security Aid	16-495-034-5120-084	129,824	7/1/15	to 6/30/16		130,469	(129,824)					645
Security Aid	15-495-034-5120-084	142,537	7/1/14	to 6/30/15	7,004	(7,004)						
Reimbursed TPAF Social Security Contributions	16-495-034-5095-003	149,500	7/1/15	to 6/30/16		148,847	(149,500)			(653)		
Reimbursed TPAF Social Security Contributions	15-495-034-5095-003	130,656	7/1/14	to 6/30/15	(719)	719						
<b>Total General Fund</b>					<b>12,302</b>	<b>3,880,705</b>	<b>(3,888,130)</b>		<b>(517)</b>	<b>(653)</b>		<b>6,047</b>
<b>State Department of Agriculture</b>												
Enterprise Fund - State Share:												
National School Lunch Program	16-100-010-3350-023	3,003	7/1/15	to 6/30/16		2,905	(3,003)		(98)			
National School Lunch Program	15-100-010-3350-023	2,615	7/1/14	to 6/30/15	(802)	802						
					<b>(802)</b>	<b>3,707</b>	<b>(3,003)</b>		<b>(98)</b>			
<b>Total State Financial Assistance Subject to OMB 15-08</b>					<b>\$ 11,500</b>	<b>\$ 3,884,412</b>	<b>\$ (3,891,133)</b>		<b>\$ (615)</b>	<b>\$ (653)</b>		<b>\$ 6,047</b>
<b>State Financial Assistance Not Subject to OMB 15-08</b>												
On-Behalf TPAF Post Retirement Medical	16-495-034-5095-001	142,866	7/1/15	to 6/30/16		\$ 142,866	\$ (142,866)					
On-Behalf TPAF Pension Contribution	16-495-034-5095-006	119,982	7/1/15	to 6/30/16		119,982	(119,982)					
<b>Total State Financial Assistance</b>						<b>\$ 4,147,260</b>	<b>\$ (4,153,981)</b>					

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

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO THE SCHEDULES OF AWARDS**  
**AND FINANCIAL ASSISTANCE**  
**JUNE 30, 2016**

**NOTE 1: GENERAL**

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state award programs of the Board of Trustees, Katz Dalsey Academy Charter School, Inc. The board of trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2: BASIS OF ACCOUNTING**

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

**NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on a modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

There was no net adjustment to reconcile from the budgetary basis to the GAAP basis for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 4,150,978	\$ 4,150,978
Special Revenue Fund	553,155		553,155
Food Service Fund	<u>268,245</u>	<u>3,003</u>	<u>271,248</u>
Total Awards & Financial Assistance	\$ <u>821,400</u>	\$ <u>4,153,981</u>	\$ <u>4,975,381</u>

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
NOTES TO THE SCHEDULES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2016

**NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING**

Katz Dalsey Academy Charter School, Inc. had no outstanding loans at June 30, 2016.

**NOTE 6: OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported, if any, as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2015. TPAF Social Security Contributions represent the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

Enrollment of District employees in the TPAF system was completed in the 2015-16 school year.

**NOTE 7: TARGETED PROGRAM FUNDS**

As the District's Federal Programs are on a targeted student group basis, there are no targeted programs in the District.

**NOTE 8: ADJUSTMENTS**

There was one immaterial adjustment needed on Schedule A, Exhibit K-3 for the 2013-14 Charter Implementation Grant. No adjustments were required for Schedule B, Exhibit K-4.

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
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

Internal control over financial reporting:

- 1) Material weakness (es) identified? \_\_\_\_\_ yes  X  no  
none
- 2) Significant deficiencies identified?  X  yes \_\_\_\_\_ reported

Noncompliance material to basic financial statements noted?  X  yes \_\_\_\_\_ no

Federal Awards

Internal control over major programs:

- 1) Material weakness (es) identified? \_\_\_\_\_ yes  X  no  
none
- 2) Significant deficiencies identified? \_\_\_\_\_ yes  X  reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? \_\_\_\_\_ yes  X  no

CFDA Number(s)	FAIN Number(s)	Name of Federal Program or Cluster
84.010A	S010A150030	Title I

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

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)

Section I - Summary of Auditor's Results (continued)

State Awards

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

Auditee qualified as low-risk auditee?  X  yes   no

Internal control over major programs:

1) Material weakness (es) identified?   yes  X  no

2) Significant deficiencies identified that are not considered to be material weaknesses?   yes  X  none reported

Type of auditor's report issued on compliance for major programs:  Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08   yes  X  no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
16-495-034-5120-078	Equalization Aid
16-495-034-5120-089	Special Education Categorical Aid
16-495-034-5120-084	Security Aid



**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)**

**Section II - Financial Statement Findings**

This section identifies the significant deficiencies, material weakness, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey that requires reporting in the Uniform Guidance, New Jersey OMB Circular 15-08 audit.

**Finding: 2016-1 (AMR Finding 2016-3)**

**Criteria or specific requirement:**

The reserve for encumbrances represents the amount of fund balance related to orders issued in the current year that will be honored in the subsequent year and does not include accounts payable.

**Condition:**

The 2015-16 TPAF Reimbursement to the State of New Jersey was reflected as a reserve for encumbrance instead of accounts payable, at June 30, 2016.

**Context:**

The 2015-16 TPAF Reimbursement should have been reflected as an accounts payable at June 30, 2016.

**Effect:**

As a result of the above condition, adjusting journal entries were identified and submitted to the Board Office as of June 30, 2016.

**Cause:**

Inadvertent oversight.

**Recommendation:**

Procedures to review open orders, regarding proper classification as to accounts payable or reserve for encumbrances, based upon whether the services have been rendered, should be reviewed and revised, in order to reflect the proper year-end classification.

**Management's response:**

Management is aware of the necessary procedures to be updated and followed.

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)

Section II - Financial Statement Findings (continued)

**Finding:** Finding 2016-2 (AMR Finding 2016-1)

**Criteria or specific requirement:**

N.J.S.A. 18A:17-32 requires a school treasurer to maintain Surety Bond coverage in accordance with the limits set forth in N.J.A.C. 6A:23A-16.4.

**Condition:**

The Treasurer's surety bond coverage, for the 2015-16 school year, was not updated to reflect the new Treasurer.

**Context:**

The Charter School did not obtain Surety Bond coverage for the new Treasurer during the 2015-16 school year.

**Effect:**

The new Treasurer was not covered by a Surety Bond in the 2015-16 school year.

**Cause:**

Inadvertent oversight

**Recommendation:**

A review of the Charter School's surety bonds should be conducted, in order to ensure the Treasurer's information is up to date.

**Management's response:**

Management is aware of the finding and agrees with the recommendation.

KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(continued)

This section identifies the audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, as applicable, for State Financial Assistance.

Section III - Federal Awards and State Financial Assistance  
Findings and Questioned Costs

**FEDERAL AWARDS**

**Finding:** NONE

**Information on the federal program:**

**Criteria or specific requirement:**

**Condition:**

**Questioned Costs:**

**Context:**

**Effect:**

**Cause:**

**Recommendation:**

**Management's response:**

**STATE AWARDS**

**Finding:** NONE

**Information on the state program:**

**Criteria or specific requirement:**

**Condition:**

**Questioned Costs:**

**Context:**

**Effect:**

**Cause:**

**Recommendation:**

**Management's response:**

**KATZ DALSEY ACADEMY CHARTER SCHOOL, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a)(b) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.

**STATUS OF PRIOR - YEAR FINDINGS**

**Finding:** 2015-1

**Condition:**

The General Ledger in the Special Revenue Fund was not sufficiently analyzed in order to adjust the accounts receivable for the Title I program.

**Current Status:**

Resolved.