

COMPASS ACADEMY CHARTER SCHOOL

**Compass Academy Charter School
Vineland, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

Compass Academy Charter School

Vineland, New Jersey

For the Fiscal Year Ended June 30, 2016

**Prepared by
Compass Academy Charter School
Board of Trustees**

COMPASS ACADEMY CHARTER SCHOOL

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	2
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION

Independent Auditor's Report	9
K-1 Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	12
Required Supplementary Information - Part I Management's Discussion and Analysis	15
Basic Financial Statements	
A. District-wide Financial Statements:	
A-1 Statement of Net Position	23
A-2 Statement of Activities	24
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	26
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	27
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Funds:	
B-4 Statement of Net Position	29
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	30
B-6 Statement of Cash Flows	31
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	32
B-8 Statement of Changes in Fiduciary Net Position	N/A
Notes to the Financial Statements	33

Required Supplementary Information - Part II

C. Budgetary Comparison Schedules

C-1	Budgetary Comparison Schedule - General Fund	46
C-2	Budgetary Comparison Schedule - Special Revenue Fund	49
C-3	Budget-to-GAAP Reconciliation	50

Other Supplementary Information

D. School Level Schedules : N/A

E. Special Revenue Fund :

E-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	53
-----	---	----

F. Capital Projects Fund:

F-1	Summary Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	N/A
-----	---	-----

G. Proprietary Fund:

Enterprise Fund:

G-1	Combining Statement of Net Position	55
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	56
G-3	Combining Statement of Cash Flows	57

Internal Service Fund: N/A

H. Fiduciary Funds:

H-1	Combining Statement of Fiduciary Net Position	59
H-2	Combining Statement of Changes in Fiduciary Net Position	N/A
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	60
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	61

I. Long-Term Debt:

I-1	Schedule of Serial Bonds	N/A
I-2	Schedule of Obligations under Capital Leases	N/A
I-3	Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

J-1	Net Position by Component	63
J-2	Changes in Net Position	64
J-3	Fund Balances - Governmental Funds	65
J-4	Changes in Fund Balances - Governmental Funds	66
J-5	General Fund - Other Local Revenue by Source	67
J-6	Assessed Value and Actual Value of Taxable Property	N/A
J-7	Direct and Overlapping Property Tax Rates	N/A
J-8	Principal Property Tax Payers, Current Year and Nine Years Ago	N/A
J-9	Property Tax Levies and Collections	N/A
J-10	Ratios of Outstanding Debt by Type	N/A
J-11	Ratios of Net General Bonded Debt Outstanding	N/A
J-12	Ratios of Overlapping Governmental Activities Debt, As of December 31, 2015	N/A
J-13	Legal Debt Margin Information, Last Ten Fiscal Years	N/A
J-14	Demographic and Economic Statistics	68
J-15	Principal Employers, Current Year & Nine Years Ago	N/A
J-16	Full-time Equivalent District Employees by Function/Program, Last Nine Fiscal Years	69
J-17	Operating Statistics, Last Ten Fiscal Years	70
J-18	School Building Information, Last Nine Fiscal Years	71
J-19	Schedule of Required Maintenance, Last Ten Fiscal Years	N/A
J-20	Insurance Schedule	72
J-21	Charter School Performance	73

SINGLE AUDIT SECTION

K-2	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey Treasury Circular OMB 15-08	75
K-3	Schedule of Expenditures of Federal Awards, Schedule A	78
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	79
K-5	Notes to the Schedules of Awards and Financial Assistance	80
K-6	Schedule of Findings and Questioned Costs	82
K-7	Summary Schedule of Prior Audit Findings	86

Introductory Section

Compass Academy Charter School
23 West Chestnut Avenue
Vineland, New Jersey 08360-5303

November 30, 2016

Honorable President,
Members of the Board of Trustees
Compass Academy Charter School
Vineland, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Compass Academy Charter School (Charter School) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The CAFR is presented in four sections as follows: introductory, financial, statistical and single audit. The introductory section includes the transmittal letter, the School's organizational chart, a roster of officials, and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements, required supplementary information and other supplementary information, as well as the auditor's report therein. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The School is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of federal regulations, cost principles, and audit requirements for federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. Information related to this single audit, including the auditor's report on compliance and internal control with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND SERVICES:

The Compass Academy Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) in codification section 2100. All funds and account groups of the Compass Academy Charter School are included in this report. The Compass Academy Charter School's Board of Trustees, constitutes the Charter School's reporting entity.

The Charter School provides a full range of educational services appropriate to Grades K through 5. The Charter School completed the 2015-2016 school year with an enrollment of 175 students. By every indicator, the Charter School is a successful young charter school with great promise for the future. With a focus on leadership, civics, community service and academics, The Charter School is armed with a strong Board, experienced staff, a well-developed mission and accompanying core values.

2. MAJOR INITIATIVES: Major initiatives for the 2015-2016 school year centered on activities associated with the continued implementation of the charter school's program and the challenges of the school's growth expansion for year three of operation. Specifically, the following were areas of focus for operational activity:

- fiscal controls/compliance and financial stability
 - increasing student enrollment
 - expanding staff to accommodate program growth and student needs
 - building competency in staff to perform required deliverables
 - providing systemic professional development for staff
- facility and infrastructure enhancements
 - institutionalizing the school's discipline and academic culture
 - promoting student achievement outcomes/improving program design.

3. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an 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 and state financial assistance, the Charter School 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's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal controls, including that portion related to federal 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 approved by the voters of the municipality. 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2016.

5. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

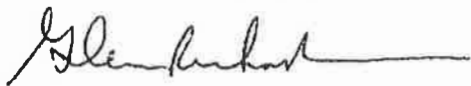
6. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

7. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations, cost principles, and audit requirements for federal awards (uniform guidance); and State of New Jersey Circular OMB 15-08. This auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit sections of this report.

8. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Compass Academy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby 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 staff.

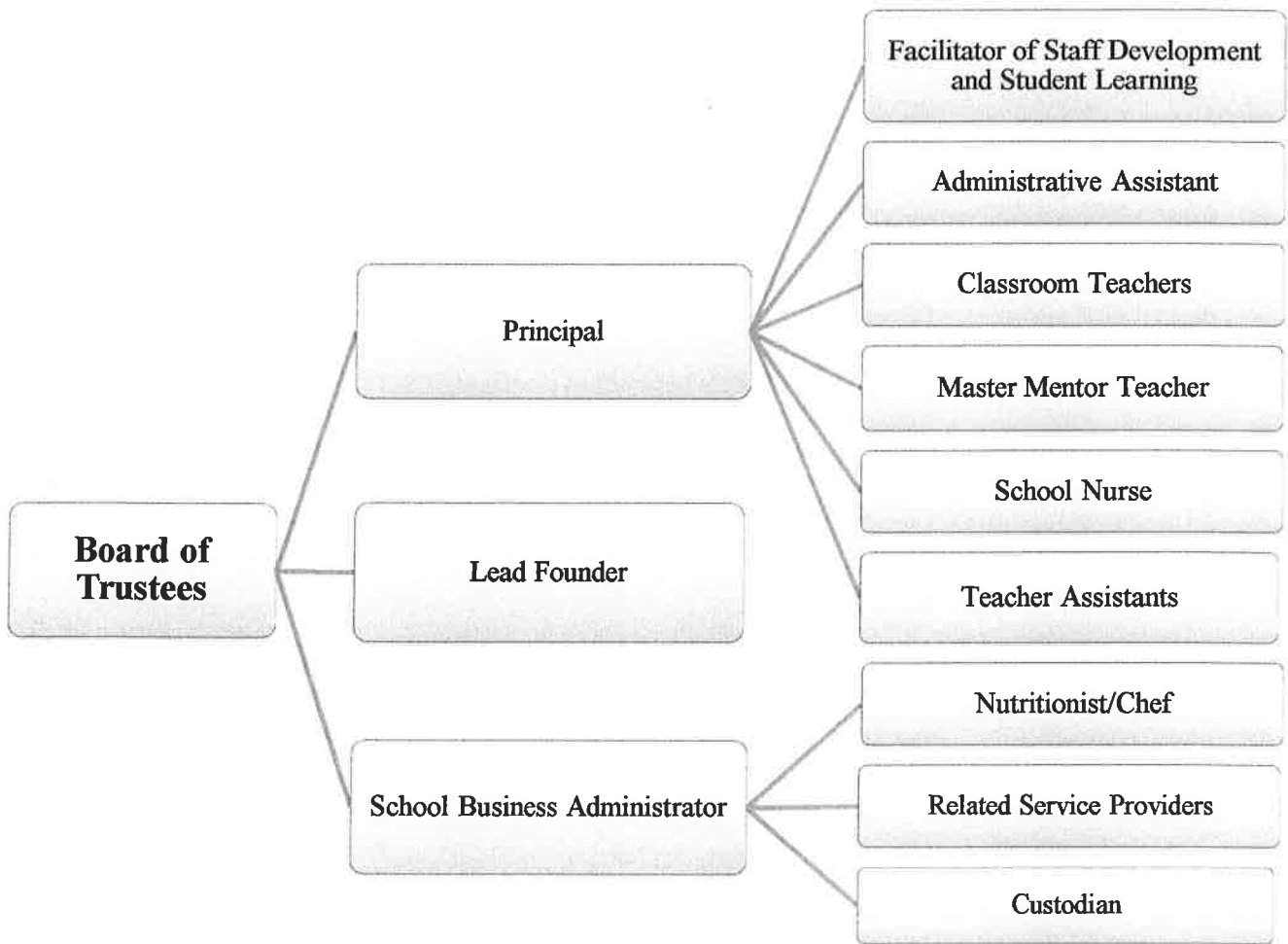
Respectfully submitted,



School Business Administrator



Compass Academy Charter School Organization Chart



COMPASS ACADEMY CHARTER SCHOOL

ROSTER OF OFFICIALS JUNE 30, 2016

Members of the Board of Trustees:	<u>Term Expires</u>
Sanford Tweetie, President	12/31/19
Art Horn, Vice President	12/31/18
Patricia Bacon, Member	12/31/17
Jeff Gagnon, Member	12/31/17
Joel Johnston, Ex-Officio	
Lynn Lichtenberger, Member	12/31/18
Suzanne Youngblood, Member	12/31/17
Christopher Russo, Member	12/31/18
Dr. Gladwyn Baptist, Member	12/31/19

Other Officials:

Susan E. Little, Principal

Glenn Richardson, Board Secretary/Business Administrator

**COMPASS ACADEMY CHARTER SCHOOL
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North, Suite 402
Marlton, NJ 08053

Attorney

Cooper Levenson, Attorneys at law
1415 Route 70 East
Cherry Hill Plaza - Suite 205
Cherry Hill, NJ 08034

Official Depository

Century Savings Bank
1376 W. Sherman Avenue
Vineland, NJ 08360

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

651 Route 73 North, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Compass Academy Charter School
Vineland, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Compass Academy Charter School, in the County of Cumberland, 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 Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Compass Academy Charter School, in the County of Cumberland, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Compass Academy Charter School's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Treasury Circular OMB 15-08, as applicable, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2016 on my consideration of the Compass Academy Charter School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Compass Academy Charter School's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
November 30, 2016

INVERSO & STEWART, LLC
Certified Public Accountants

651 Route 73 North, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

**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

Members of the Board of Trustees
Compass Academy Charter School
Vineland, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Compass Academy Charter School, in the County of Cumberland, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Compass Academy Charter School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is 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 which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as finding no: 2016-001.

The Compass Academy Charter School's Response to Findings

The Compass Academy Charter School's response to the finding identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
November 30, 2016

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Compass Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

As management of the Board of Trustees of the Compass Academy Charter School, we offer readers of the Charter School's financial statements this narrative overview and analysis of the Charter School for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The liabilities of the Charter School exceeded its assets at the close of the most recent fiscal year by \$55,731 (*net position*).
- Governmental activities have a deficit unrestricted net position of \$61,974.
- Fund balance of the Charter School's governmental funds decreased by \$125,102 resulting in an ending deficit fund balance of \$59,837. The decrease is attributable to the results of operations in the General Fund.
- Business-type activities have an unrestricted net position of \$4,106.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The basic financial statements are comprised of three components: 1) School-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *school-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The school-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the Charter School's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the Charter School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the school-wide financial statements distinguish functions of the Charter School that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, and Special Revenue Fund. Business-type activities include the Food Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Charter School are divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the school-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Charter School maintains two individual governmental funds. The major funds are the General Fund and the Special Revenue Fund. They are presented separately in the fund financial statements.

The Charter School adopts an annual appropriated budget for the General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the school-wide financial statements. The Charter School maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The Charter School's enterprise fund (Food Service Fund) is considered to be a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the school-wide financial statements because the resources of those funds are not available to support the Charter School's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the Charter School are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the Charter School. The majority of the current assets are the results of the local and state aid collection process.

The Charter School has no Capital assets as of June 30, 2016.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2017. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2016.

The liabilities of the primary government activities exceeded assets by \$59,837 with an unrestricted deficit balance of \$61,974. The net position of the primary government does not include internal balances.

Compass Academy Charter School Comparative Summary of Net Position As of June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		School-Wide	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$ 54,785	\$ 75,054	\$ 38,582	\$ 44,110	\$ 93,367	\$ 119,164
Capital assets	-0-	-0-	-0-	-0-	-0-	-0-
Total assets	<u>54,785</u>	<u>75,054</u>	<u>38,582</u>	<u>44,110</u>	<u>93,367</u>	<u>119,164</u>
Liabilities:						
Current Liabilities	114,622	9,789	34,476	43,137	149,098	52,926
Noncurrent Liabilities		48,143				48,143
Total liabilities	<u>114,622</u>	<u>57,932</u>	<u>34,476</u>	<u>43,137</u>	<u>149,098</u>	<u>101,069</u>
Net position	<u>\$ (59,837)</u>	<u>\$ 17,122</u>	<u>\$ 4,106</u>	<u>\$ 973</u>	<u>\$ (55,731)</u>	<u>\$ 18,095</u>
Net position consists of:						
Restricted net position	\$ 2,137	\$	\$	\$	\$ 2,137	\$
Unrestricted net position	<u>(61,974)</u>	<u>17,122</u>	<u>4,106</u>	<u>973</u>	<u>(57,868)</u>	<u>18,095</u>
Net position	<u>\$ (59,837)</u>	<u>\$ 17,122</u>	<u>\$ 4,106</u>	<u>\$ 973</u>	<u>\$ (55,731)</u>	<u>\$ 18,095</u>

Governmental Activities

Governmental activities decreased the net position of the Charter School by \$76,959 during the current fiscal year.

Business-type Activities

Business-type activities increased the Charter School District's net position by \$3,133.

Compass Academy Charter School Comparative Schedule of Changes in Net Position As of and for the Fiscal Year Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		School-Wide	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for services	\$ -	\$ -	\$ 26,283	\$ 12,414	\$ 26,283	\$ 12,414
Operating grants and Contributions	291,990	235,475	61,940	44,461	353,930	279,936
General Revenues:						
Local Tax Levy	288,960	245,814			288,960	245,814
Unrestricted State Aid	1,157,886	1,018,719			1,157,886	1,018,719
Other Revenues	54,352	33,107			54,352	33,107
Total Revenues	<u>1,793,188</u>	<u>1,533,115</u>	<u>88,223</u>	<u>56,875</u>	<u>1,881,411</u>	<u>1,589,990</u>
Expenses:						
Governmental Activities:						
Instruction	894,708	811,746			894,708	811,746
Related Services	226,591	143,856			226,591	143,856
Administrative Services	256,840	221,128			256,840	221,128
Operations and Maintenance	288,987	150,339			288,987	150,339
Transportation	1,985	2,872			1,985	2,872
Employee Benefits	201,036	179,235			201,036	179,235
Business-Type Activities:						
Food Service Operations			85,090	55,852	85,090	55,852
Total Expenses	<u>1,870,147</u>	<u>1,509,176</u>	<u>85,090</u>	<u>55,852</u>	<u>1,955,237</u>	<u>1,565,028</u>
Increase (decrease) in net Assets before transfers	(76,959)	23,939	3,133	1,023	(73,826)	24,962
Transfers		(6,000)		6,000		
Changes in net position	(76,959)	17,939	3,133	7,023	(73,826)	24,962
Net position, July 1,	17,122	(817)	973	(6,050)	18,095	(6,867)
Net position, June 30,	<u>\$ (59,837)</u>	<u>\$ 17,122</u>	<u>\$ 4,106</u>	<u>\$ 973</u>	<u>\$ (55,731)</u>	<u>\$ 18,095</u>

Financial Analysis of the Governmental Funds

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter School's governmental funds reported a combined ending deficit fund balance of \$59,837.

The unreserved fund balance for the School District at the end of the fiscal year includes an unreserved deficit fund balance for the General Fund of \$61,974.

The general fund is the chief operating fund of the Charter School.

General Fund Budgetary Highlights

The Charter School's budget is prepared in accordance with New Jersey Law. The most significant budgeted fund is the General Fund. During the course of the 2016 fiscal year, the Charter School modified its General Fund budget to accommodate revised revenue calculations provided from the State of New Jersey. Revenue calculations are based on enrollment counts performed during the fiscal year and are dependent on the sending district the student's residency is reported in.

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was a deficit \$61,974, and the total fund balance (budgetary basis) was a deficit \$59,837. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$1,679,926.

Economic Factors and Next Year's Budget

The following factors were considered and incorporated into the preparation of the Charter School's budget for the 2016-17 fiscal year.

- The projected enrollment for the 2016-2017 school year was 228 students, however the budget was adjusted to the anticipated October 15th count of 198.
- The Charter School budgeted for state aid based upon the projected enrollment count as calculated by the Office of School Finance and will amend the budget to accommodate revised revenue calculations as necessary.

Charter schools are funded according to a companion formula enacted as part of the School Funding Reform Act of 2008. The charter formula states that a district will pass on to the charter school, 1) 90% of the per-pupil amount of the Equalization Aid and the district's local levy, 2) an amount proportional to the number of special education students enrolled for Special Education Categorical Aid and 3) an amount proportional to the number of students enrolled for Security Categorical Aid. Because the charter formula specifically itemizes these three aid categories, charter schools therefore do not receive any funds provided to the district under other aid categories.

Vineland City which represents 91.9% of Charter School's aid has one of the lowest per-pupil charter payments in the state. Vineland City receives a large portion of their state aid in Adjustment Aid which is not part of the charter school funding formula. Therefore, Compass Academy Charter School receives one of the lowest per-pupil aids in the state.

To eliminate the June 30, 2016 general fund balance deficit of \$61,974 the Leadership Team and the Finance Committee met to discuss what budgetary changes could be made without negatively affecting instruction. The Charter School has made significant cuts in the 2016-2017 budget and will closely monitor expenditures to generate a positive general fund balance.

Requests for Information

This financial report is designed to provide a general overview of the School's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Compass Academy Charter School Business Administrator at 856-899-5570.

Basic Financial Statements

District-Wide Financial Statements

COMPASS ACADEMY CHARTER SCHOOL
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 21,445	\$ 17,535	\$ 38,980
Receivables, net	39,340	14,014	53,354
Inventories		1,033	1,033
Internal balances	(6,000)	6,000	
Total assets	<u>54,785</u>	<u>38,582</u>	<u>93,367</u>
LIABILITIES:			
Accounts payable	131,846	747	132,593
Internal balances	(33,729)	33,729	-
Intergovernmental payable:			
Local Share	2,737		2,737
State Share	13,185		13,185
Unearned revenue	583		583
Noncurrent liabilities (Note 7):			
Due within one year			
Due beyond one year			-
Total liabilities	<u>114,622</u>	<u>34,476</u>	<u>149,098</u>
NET POSITION:			
Net investment in capital assets			
Restricted for:			
Other purposes	2,137		2,137
Unreserved	(61,974)	4,106	(57,868)
Total net position	<u>\$ (59,837)</u>	<u>\$ 4,106</u>	<u>\$ (55,731)</u>

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 865,126	\$ -	\$ 119,849	\$ (745,277)	\$ -	\$ (745,277)
Special education	29,582		29,582	-		-
Support Services:						
Student & instruction related services	226,591		54,584	(172,007)		(172,007)
General administrative services	92,957			(92,957)		(92,957)
School administrative services	91,260			(91,260)		(91,260)
Central services	72,623			(72,623)		(72,623)
Plant operations and maintenance	288,987		24,000	(264,987)		(264,987)
Student transportation services	1,985			(1,985)		(1,985)
Employee benefits	201,036		63,975	(137,061)		(137,061)
Total governmental activities	<u>1,870,147</u>		<u>291,990</u>	<u>(1,578,157)</u>		<u>(1,578,157)</u>
Business-type activities:						
Food Service	<u>85,090</u>	<u>26,283</u>	<u>61,940</u>		<u>3,133</u>	<u>3,133</u>
Total business-type activities	<u>85,090</u>	<u>26,283</u>	<u>61,940</u>		<u>3,133</u>	<u>3,133</u>
Total primary government	<u>\$ 1,955,237</u>	<u>\$ 26,283</u>	<u>\$ 353,930</u>	<u>\$ (1,578,157)</u>	<u>\$ 3,133</u>	<u>\$ (1,575,024)</u>
General revenues:						
Taxes:						
Local Tax Levy				288,960		288,960
Federal and state aid not restricted				1,157,886		1,157,886
Miscellaneous income				54,352		54,352
Transfer						
Total general revenues, special items, extraordinary items and transfers				<u>1,501,198</u>		<u>1,501,198</u>
Change in Net Position				(76,959)	3,133	(73,826)
Net Position—July 1				<u>17,122</u>	<u>973</u>	<u>18,095</u>
Net Position—June 30				<u>\$ (59,837)</u>	<u>\$ 4,106</u>	<u>\$ (55,731)</u>

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

Fund Financial Statements

COMPASS ACADEMY CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2016

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 5,459	\$ 15,986	\$ 21,445
Receivables, net	26,243	13,097	39,340
Interfund receivables, net	<u>35,893</u>		<u>35,893</u>
Total assets	<u>\$ 67,595</u>	<u>\$ 29,083</u>	<u>\$ 96,678</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	105,510	26,336	131,846
Interfund payable	6,000	2,164	8,164
Intergovernmental payable:			
Local Share	2,737		2,737
State Share	13,185		13,185
Unearned revenues		<u>583</u>	<u>583</u>
Total liabilities	<u>127,432</u>	<u>29,083</u>	<u>156,515</u>
Fund Balances:			
Assigned to:			
Year-end encumbrances	2,137		2,137
Unassigned	<u>(61,974)</u>		<u>(61,974)</u>
Total fund balances	<u>(59,837)</u>		<u>(59,837)</u>
Total liabilities and fund balances	<u>\$ 67,595</u>	<u>\$ 29,083</u>	

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

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net position of governmental activities

\$ (59,837)

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Local sources:			
Local tax Levy	\$ 288,960	\$ -	\$ 288,960
Miscellaneous	54,352		54,352
Total revenues-local sources	343,312		343,312
Local sources		51,750	51,750
State sources	1,211,512		1,211,512
Federal sources		186,614	186,614
Total revenues	1,554,824	238,364	1,793,188
EXPENDITURES:			
Current expense:			
Regular instruction	793,420	119,849	913,269
Special education instruction		29,582	29,582
Support services and undistributed costs:			
Tuition			
Student & instruction related services	172,007	54,584	226,591
General administrative services	92,957		92,957
School administrative services	91,260		91,260
Central services	72,623		72,623
Plant operations and maintenance	260,483		260,483
Student transportation services	1,985		1,985
Unallocated employee benefits	190,687	10,349	201,036
Capital outlay	4,504	24,000	28,504
Total expenditures	1,679,926	238,364	1,918,290
Excess (deficiency) of revenues over (under) expenditures	(125,102)	-	(125,102)
Other Financing Sources (Uses):			
Transfers in			
Transfers out			-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(125,102)		(125,102)
Fund balances, July 1	65,265		65,265
Fund balances, June 30	\$ (59,837)	\$ -	\$ (59,837)

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

**COMPASS ACADEMY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended June 30, 2016**

Total net change in fund balances - governmental funds (from B-2) \$ (125,102)

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

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

48,143

Change in net position of governmental activities

\$ (76,959)

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
June 30, 2016

		Business-type Activities Enterprise Funds
		<u>Food Service Program</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$	17,535
Accounts receivable		14,014
Interfund receivables		6,000
Inventories		1,033
		<u>38,582</u>
Total current assets		<u>38,582</u>
Total assets	\$	<u><u>38,582</u></u>
LIABILITIES		
Current liabilities:		
Accounts Payable	\$	747
Interfund Payable		33,729
		<u>34,476</u>
Total liabilities		<u>34,476</u>
NET POSITION		
Unrestricted		<u>4,106</u>
Total net position	\$	<u><u>4,106</u></u>

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2016

	Business-type Activities Enterprise Funds
	Food Service Program
Operating revenues:	
Charges for services:	
Daily sales-reimbursable programs	\$ 26,283
Daily sales-non-reimbursable programs	
	26,283
Total operating revenue	26,283
Operating expenses:	
Salaries	42,479
Benefits	3,250
Supplies and materials	4,775
Cost of sales - reimbursable programs	34,404
Other expenses	182
	85,090
Total operating expenses	85,090
Operating income (loss)	(58,807)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	870
Federal sources:	
National school lunch program	35,273
National school breakfast program	15,324
After school snack	2,184
Food distribution program	8,289
	61,940
Total nonoperating revenues (expenses)	61,940
Change in net position	3,133
Net position- July 1	973
Net position - June 30	\$ 4,106

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2016

		Business-type Activities	Enterprise Funds
			<u>Food Service Program</u>
Cash flows from operating activities:			
Receipts from customers	\$		21,924
Payments to employees			(55,137)
Payments to suppliers			(39,647)
Net cash used for operating activities			<u>(72,860)</u>
Cash flows from noncapital financing activities:			
State sources			867
Federal sources			60,628
Net cash provided by non-capital financing activities			<u>61,495</u>
Net increase in cash and cash equivalents			(11,365)
Balances - July 1			<u>28,900</u>
Balances - June 30	\$		<u>17,535</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$		(58,807)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase)/decrease in accounts receivable			(4,359)
(Increase)/decrease in inventories			(1,033)
Increase/(decrease) in accounts payable			747
Increase/(decrease) in interfund payable			(9,408)
Total adjustments			<u>(14,053)</u>
Net cash provided by (used for) operating activities	\$		<u>(72,860)</u>

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

COMPASS ACADEMY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Fund
ASSETS:	
Cash and cash equivalents	\$ 10,776
Interfund receivable	
	\$ 10,776
Total assets	\$ 10,776
 LIABILITIES:	
Payroll deductions and withholdings	\$ 50
Scrip	1,601
Health Reimbursement	1,178
Due to student groups	7,947
	\$ 10,776
Total liabilities	\$ 10,776
 NET POSITION	
Total net position	-

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

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

The Compass Academy Charter School is located in the County of Cumberland, State of New Jersey and was incorporated on March 20, 2012 and began its first year of education operations in September of 2013. 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, the Compass Academy functions independently as an educational institution through a Board of Trustees (the "Board"). In accordance with their By-Laws of the Charter School, the Board is to consist of 11 individuals, 2 ex-officio non-voting members (the Chief School Administrator and the Executive Director of Let Me Learn, Inc.) The 9 voting members shall consist of 3 parents (one from each of the Charter's Schools regions) and 6 at large community members. The 9 voting members will be nominated and elected by a majority of the board to serve 2 or 3 year terms, creating a staggered terms in order to establish a continuity of board membership and to have a quorum (5 board members) of the board to vote on all matters coming before the board. No board member can serve more than 6 years without a break in service. Eligible members include parents and community members-at-large.

A. Reporting Entity

The purpose of the Charter School is to educate Kindergarten through 5th grade students. A school business administrator/board secretary is appointed by the Board and is responsible for the administrative control of the Charter School. The Charter School had an approximate enrollment at June 30, 2016 of 175 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

The Charter School's basic financial statements consists of government-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.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements - The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Charter School that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities and for the business-type activities of the Charter School. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the Charter School is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Charter School.

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 fiduciary funds. Separate statements for each fund category- governmental, proprietary, and fiduciary – are presented. The New Jersey Department of Education (NJDOE) has elected to required 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.

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 vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Compass Academy Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from 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 special revenue fund is used to account for and report the proceeds of specific revenues from State and Federal Governments (other than major capital projects, debt service or enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds - Proprietary funds are used to account for the Charter School's ongoing activities, which are similar to those in the private sector.

Enterprise Funds – The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District 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 Charter School's enterprises fund are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the Charter School.

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 position) is segregated into investment in capital assets, net of related debt, and unrestricted net position, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds; a scrip trust fund, a health reimbursement fund, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Charter School are included on the statement of net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued) - Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Charter School finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Revenue is recognized when it becomes measurable and available. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that 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. For the Charter School, available means expected to be received within sixty days after fiscal year end.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general and special revenue funds. The budgets are submitted to the Department of Education for their approval. 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 as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23A-16.2(f)1. Transfers of appropriations may be made by Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1 and Exhibit C-2, includes all amendments to the adopted budget, if any.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Continued) – Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the Charter School does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Charter School has received advances of grant awards, are reflected in the balance sheet as unearned revenues at fiscal year end.

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.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, 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. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value. N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

Inter-Fund 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.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

Capital Assets – As of June 30, 2016, the Charter School has no fixed assets.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Charter School is eligible to realize the revenue.

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.

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. 184:364-12 "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 enrollment. Based on these counts, a charter school's revenue is adjusted accordingly.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Fund Balance – 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.

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.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Charter School, these revenues are sales from the food service program. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC).

Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. The Charter School's amount on deposit of \$87,174 as of June 30, 2016, was insured under FDIC.

**Compass Academy School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

4. RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Receivables as of year-end for the District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund	Total
State Aid	\$ 15,690	\$	\$ 160	\$ 15,850
Federal Aid		13,097	9,495	22,592
Other	10,553		4,359	14,912
Total Accounts Receivable	\$ 26,243	\$ 13,097	\$ 14,014	\$ 53,354

5. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

	Principal Outstanding July 1, 2015	Additions	Reductions	Principal Outstanding June 30, 2016	Amount Due Within One Year
Compensated Absences	\$ 48,143	\$ -	\$ 48,143	\$ -	\$ -

6. PENSION PLANS

Description of Plans – Substantially all of the Charter School's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114, 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92 P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under 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.

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 the several preceding fiscal years.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and 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% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. 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 has not been billed for its normal contribution plus any accrued liability as the employees were enrolled in the pension system in the 2nd quarter of 2015.

7. 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; employee health and accident claims; and natural disasters. The Charter School has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The Charter School maintains commercial insurance for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. A complete schedule of insurance coverage can be found in the "Statistical Section" of this report.

New Jersey Unemployment Compensation Insurance – The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Charter School is required to remit employee withholdings to the State on a quarterly basis. All of the Charter School's claims are paid by the State.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

8. BUILDING RENTAL LEASE

The Charter School leases space at 23 West Chestnut Street, Vineland, New Jersey under a lease agreement commencing August 1, 2015 with Divine Mercy Parish. The lease is for two successive one year terms. The Base Rent per year is \$135,000 per annum payable in equal monthly installments of \$11,250.

9. EQUIPMENT LEASE

The Charter School has a commitment for one copier under an operating lease which expires in 2020. Total operating lease payments made during the year ended June 30, 2016 was \$6,979. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2017	\$ 6,979
June 30, 2018	6,979
June 30, 2019	6,979
June 30, 2020	<u>2,908</u>
Total future minimum lease payments	<u>\$ 23,845</u>

10. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2017. The following interfund balances were recorded on the various balance sheets as of June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 35,893	\$ 6,000
Special Revenue		2,164
Enterprise	<u>6,000</u>	<u>33,729</u>
	<u>\$ 41,893</u>	<u>\$ 41,893</u>

All interfund balances are expected to be paid or collected within the subsequent year.

11. CONTINGENCIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government.

At June 30, 2016, grant expenditures have not been audited by the granting agency, but the Charter School believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Charter School. Additionally, unearned revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

**Compass Academy Charter School
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

12. DEFICIT UNASSIGNED FUND BALANCE

As of June 30, 2016, the Charter School has a deficit unassigned fund balance of \$61,974 in the General Fund as reported in the financial statements. This deficit is the result of following factors; the Charter School shifted to a larger facility in the 2015-16 school year and experienced a dramatic increase in rent and utility charges, a reduction in the enrollment count from 198 to 175 students resulting in a decrease in revenue, unanticipated special education costs increase of approximately \$60,000, and several special education students were inadvertently not reported on the October 15, 2015 Application for Charter School Aid resulting in a decrease in special education aid.

13. FUND BALANCES

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the Charter School's intent to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Charter School's fund balance are summarized as follows:

General Fund:

Other Purposes – At June 30, 2016 the School District had \$2,137 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Charter School's unassigned fund balance is summarized as follows:

General Fund – As of June 30, 2016, the fund balance of the general fund was a deficit of \$61,974. (See Note 12).

14. SUBSEQUENT EVENTS/GENERAL FUND DEFICIT BALANCE

The Charter School has taken immediate steps to eliminate the June 30, 2016, \$61,974 deficit fund balance. The 2016/2017 Budget also experienced a revenue reduction due to decreased enrollment from the projected 228 students to 198 students. The Charter School has developed a Budgetary Action Plan and some of the cost savings measures are as follows:

- 1) Eliminated the ESL/BSI position (\$46,750)
- 2) Eliminated the Technology Teacher position (\$46,750)
- 3) Eliminated one Custodian position (\$29,120)
- 4) Eliminated the part-time librarian position (\$14,000)
- 5) Benefits costs reduced by staff reduction (\$19,000)
- 6) Renegotiated the Special education services contract (\$13,000)
- 7) Chose not to certify the new staff in the Let Me Learn Process (\$14,000)
- 8) Spread out Strauss-Esme cost over 3 years (\$8,000)

Required Supplementary Information - Part II

Budgetary Comparison Schedules

COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 312,773	\$ (28,114)	\$ 284,659	\$ 288,960	\$ 4,301
Miscellaneous	137,621	(81,045)	56,576	54,352	(2,224)
Total local sources	450,394	(109,159)	341,235	343,312	2,077
State sources:					
Categorical special education aid	25,483	(25,483)			-
Equalization aid	1,234,884	(106,592)	1,128,292	1,119,492	(8,800)
Security aid	51,522	(12,406)	39,116	38,394	(722)
Reimbursed TPAF social security contributions (non-budgeted)		-		53,626	53,626
Total state sources	1,311,889	(144,481)	1,167,408	1,211,512	44,104
TOTAL REVENUES	1,762,283	(253,640)	1,508,643	1,554,824	46,181
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	200,769	(87,462)	113,307	113,307	-
Grades 1-5	542,929	64,857	607,786	617,918	(10,132)
Total Instruction	743,698	(22,605)	721,093	731,225	(10,132)
Regular Programs - Undistributed Instruction:					
Purchased professional - educ services	33,690	(22,999)	10,691	1,470	9,221
Other purchased services	11,679	(2,619)	9,060	8,422	638
General supplies	53,800	(27,360)	26,440	26,889	(449)
Textbooks	9,500	12,836	22,336	22,336	-
Other objects	2,850	388	3,238	3,078	160
Total Undistributed Instruction	111,519	(39,754)	71,765	62,195	9,570
Total - Regular Programs - Instruction	855,217	(62,359)	792,858	793,420	(562)
Undist. Expend -Health Services					
Salaries	61,740	(23,923)	37,817	36,617	1,200
Purchased professional and technical services				27,281	(27,281)
General supplies	2,500	(1,248)	1,252	1,224	28
Total Undst. Expend. - Health Services	64,240	(25,171)	39,069	65,122	(26,053)
Undist. Expend. - Speech, OT, PT, Related Svcs					
Purchased professional - educ services	8,040	(8,040)			-
Total Undist. Expend. - Speech, OT, PT, Related Svcs	8,040	(8,040)	-	-	-
Undist. Expend. - Guidance					
Salaries of other professional staff	36,536	26,163	62,699	62,699	-
Total Undst. Expend. - Guidance	36,536	26,163	62,699	62,699	-

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

(CONTINUED TO NEXT PAGE)

COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - CST					
Purchased professional services	\$ 8,100	\$ (8,100)	\$ -	\$ 23,638	\$ (23,638)
Total Undst. Expend. - CST	8,100	(8,100)	-	23,638	(23,638)
Undist. Expend. - Instructional Staff Training					
Purchased professional services	6,075	(2,396)	3,679	20,548	(16,869)
Total Undst. Expend. - Instructional Staff Training	6,075	(2,396)	3,679	20,548	(16,869)
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	57,582	(18,703)	38,879	38,879	-
Legal services	1,000	890	1,890	1,890	-
Audit Fees	14,000	(4,800)	9,200	9,200	-
Other purchased Prof. Svc.	300	(300)	-	-	-
Communications/Telephone	1,718	3,225	4,943	5,032	(89)
Other purchased services	3,015	10,462	13,477	12,879	598
General supplies	9,036	4,061	13,097	12,465	632
Miscellaneous expenditures	2,080	13,146	15,226	12,462	2,764
BOE Membership Dues & Fees	2,000	(2,000)	-	150	(150)
Total Undst. Expend. - Supp. Serv. General Admin.	90,731	5,981	96,712	92,957	3,755
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	89,760	1,500	91,260	91,260	-
Total Undst. Expend. - Supp. Serv. School Admin.	89,760	1,500	91,260	91,260	-
Undist. Expend. - Central Services					
Salaries	66,376	(18,376)	48,000	48,000	-
Purchased professional services		19,773	19,773	18,255	1,518
Miscellaneous expenditures	1,688	(188)	1,500	1,445	55
Total Undst. Expend. - Central Services	68,064	1,209	69,273	67,700	1,573
Undist. Expend. - Admin. Info. Tech.					
Purchased technical services	5,370	(147)	5,223	4,923	300
Total Undst. Expend. - Admin. Info. Tech.	5,370	(147)	5,223	4,923	300
Total Undst. Expend. - Central Svc & Admin. Info. Tech.	73,434	1,062	74,496	72,623	1,873
Undist. Expend. - Custodial Services					
Salaries	59,181	(1,426)	57,755	56,541	1,214
Insurance	5,093	16,370	21,463	21,418	45
Cleaning, repair, and maintenance services	16,140	(4,309)	11,831	11,911	(80)
Rental of Land & Bldg Other than Lease	123,750	-	123,750	123,750	-
Energy Costs	24,750	4,365	29,115	29,115	-
General supplies	14,500	4,277	18,777	17,713	1,064
Other objects	-	100	100	35	65
Total Undst. Expend. - Custodial Services	243,414	19,377	262,791	260,483	2,308

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

(CONTINUED TO NEXT PAGE)

COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Student Trans. Services					
Contr. serv. (other than bet. home & sch.) - vendors	\$ 2,500	\$ 815	\$ 3,315	\$ 1,985	\$ 1,330
Total Undst. Expend. - Student Trans. Services	2,500	815	3,315	1,985	1,330
Unallocated Benefits - Employee Benefits					
Retirement Contributions - PERS	15,047	(15,047)			-
Social security contributions	81,561	(45,506)	36,055	32,806	3,249
Unemployment Compensation	32,583	(20,818)	11,765	7,073	4,692
Workmen's Compensation	27,570	(3,238)	24,332	24,332	-
Health benefits	91,725	(23,553)	68,172	72,850	(4,678)
Total Unallocated Benefits - Employee Benefits	248,486	(108,162)	140,324	137,061	3,263
Reimbursed TPAF social security contributions (non-budgeted)				53,626	(53,626)
Total General Current Expense	1,726,533	(159,330)	1,567,203	1,675,422	(108,219)
CAPITAL OUTLAY:					
Equipment:					
Undistributed expenditures - noninstruction	6,320	-	6,320	4,504	1,816
Total Capital Outlay	6,320	-	6,320	4,504	1,816
Total Expenditures	1,732,853	(159,330)	1,573,523	1,679,926	(106,403)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	29,430	(35,450)	(64,880)	(125,102)	(60,222)
Other Financing Sources (Uses):					
Total Other Financing Sources	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	29,430	(35,450)	(64,880)	(125,102)	(60,222)
Fund Balance, July 1	65,265		65,265	65,265	
	\$ 94,695	\$ (35,450)	\$ 385	\$ (59,837)	\$ (60,222)
Recapitulation of Fund Balance					
Assigned Fund Balance					
Year-end Encumbrances				\$ 2,137	
Unassigned Fund Balance				(61,974)	
				\$ (59,837)	

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

COMPASS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources	\$ 70,040	\$ -	\$ 70,040	\$ 51,750	\$ (18,290)
Federal sources	186,615	-	186,615	186,614	(1)
Total revenues	256,655	-	256,655	238,364	(18,291)
EXPENDITURES:					
Instruction:					
Salaries of teachers	127,073	(10,349)	116,724	98,433	18,291
Purchased professional - educ. services	29,582	-	29,582	29,582	-
General supplies	21,416	-	21,416	21,416	-
Total instruction	178,071	(10,349)	167,722	149,431	18,291
Support services:					
Personal services - employee benefits		10,349	10,349	10,349	-
Purchased professional - tech. services	42,730	-	42,730	42,730	-
Supplies and materials	11,854	-	11,854	11,854	-
Total support services	54,584	10,349	64,933	64,933	-
Facilities acquisition and construction services:					
Instructional equipment	24,000	-	24,000	24,000	-
Total facilities acq. and const. services	24,000	-	24,000	24,000	-
Total expenditures	256,655	-	256,655	238,364	18,291
Total outflows	256,655	-	256,655	238,364	18,291
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

COMPASS ACADEMY CHARTER SCHOOL
Notes to Required Supplementary Information
Budgetary Comparison

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 1,554,824	\$ 238,364
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are not recognized as revenue.	_____	_____
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 1,554,824	\$ 238,364
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 1,679,926	\$ 238,364
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,679,926	\$ 238,364

Other Supplementary Information

Special Revenue Fund

COMPASS ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2016

	Title I Current Year	Title I Prior Year	IDEA Basic - Part B	Implementation Grant	Rutgers Grant	TOTAL
REVENUES:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 51,750	\$ 51,750
Federal sources	55,794	1,238	29,582	100,000		186,614
Total Revenues	55,794	1,238	29,582	100,000	51,750	238,364
EXPENDITURES:						
Instruction:						
Salaries of teachers	45,445	1,238			51,750	98,433
Professional education services			29,582			29,582
General supplies				21,416		21,416
Total instruction	45,445	1,238	29,582	21,416	51,750	149,431
Support services:						
Personal services-employee benefits	10,349					10,349
Purchased prof. and technical services				42,730		42,730
Supplies and materials				11,854		11,854
Total support services	10,349			54,584		64,933
Facilities acquisition and const. serv.:						
Instructional equipment				24,000		24,000
Total facilities acquisition and const. serv.;				24,000		24,000
Total Expenditures	55,794	1,238	29,582	100,000	51,750	238,364
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Proprietary Funds

COMPASS ACADEMY CHARTER SCHOOL
Enterprise Fund
Statement of Net Position
as of June 30, 2016

	Food Service Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 17,535
Accounts receivable:	
Interfund	6,000
State	160
Federal	9,495
Other	4,359
Inventory	1,033
Total current assets	38,582
 Total assets	 \$ 38,582
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 747
Interfund payable	33,729
Total current liabilities	34,476
 NET POSITION:	
Unreserved	4,106
 Total net position	 \$ 4,106

COMPASS ACADEMY CHARTER SCHOOL
Enterprise Fund

Statement of Revenues, Expenses and Change in Fund Net Position
for the Fiscal Year ended June 30, 2016

	Food Service Fund
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program	\$ 26,283
Total-daily sales-reimbursable programs	26,283
Daily sales non-reimbursable programs	_____
Total operating revenue	26,283
OPERATING EXPENSES:	
Salaries	42,479
Benefits	3,250
Supplies and materials	4,775
Cost of sales - reimbursable programs	34,404
Other	182
Total operating expenses	85,090
Operating income (loss)	(58,807)
Non-operating revenues:	
State sources:	
State school lunch program	870
Federal sources:	
National school lunch program	35,273
National school breakfast program	15,324
After school snack program	2,184
Food distribution program	8,289
Total non-operating revenues	61,940
Net income (loss)	3,133
Net Position - July 1	973
Net Position - June 30	\$ 4,106

COMPASS ACADEMY CHARTER SCHOOL
Enterprise Fund
Statement of Cash Flows
for the Fiscal Years ended June 30, 2016

	Food Service Fund
Cash flows from operating activities:	
Cash receipts from customers	\$ 21,924
Cash payments to employees for services	(55,137)
Cash payments to suppliers for goods and services	(39,647)
Net cash used by operating activities	(72,860)
Cash flows from noncapital financing activities:	
Operating transfer in	
Cash received from state and federal reimbursements	61,495
Net cash provided by noncapital financing activities	61,495
Cash flows from investing activities:	
Interest on investments	—
Net cash provided by investing activities	—
Net increase (decrease) in cash and cash equivalents	(11,365)
Cash and cash equivalents, July 1	28,900
Cash and cash equivalents, June 30	\$ 17,535
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (58,807)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Change in assets and liabilities:	
(Increase)/decrease in accounts receivable	(4,359)
(Increase)/decrease in inventories	(1,033)
Increase/(decrease) in accounts payable	747
Increase/(decrease) in interfund payable	(9,408)
Net cash used by operating activities	\$ (72,860)

Fiduciary Funds

COMPASS ACADEMY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Net Position
June 30, 2016

	Agency Funds				Total
	Student Activity	Payroll	Scrip	Health Reimbursement	
ASSETS:					
Cash and cash equivalents	\$ 7,947	\$ 50	\$ 1,601	\$ 1,178	\$ 10,776
Interfund receivable					-
TOTAL ASSETS	<u>\$ 7,947</u>	<u>\$ 50</u>	<u>\$ 1,601</u>	<u>\$ 1,178</u>	<u>\$ 10,776</u>
LIABILITIES:					
Payroll deductions and withholdings	\$ -	\$ 50	\$ -	\$ -	\$ 50
Scrip			1,601		1,601
Health Reimbursement				1,178	1,178
Due to student groups	7,947				7,947
Total liabilities	<u>7,947</u>	<u>50</u>	<u>1,601</u>	<u>1,178</u>	<u>10,776</u>
NET POSITION					
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPASS ACADEMY CHARTER SCHOOL
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2016</u>
Activity Funds	\$ 6,935	\$ 8,024	\$ 7,012	\$ -	\$ 7,947
Total	<u>\$ 6,935</u>	<u>\$ 8,024</u>	<u>\$ 7,012</u>	<u>\$ -</u>	<u>\$ 7,947</u>

COMPASS ACADEMY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ASSETS:				
Cash and cash equivalents	\$ 10,942	\$ 1,251,256	\$ 1,262,148	\$ 50
Interfund receivable	6,536		6,536	-
Total assets	<u>\$ 17,478</u>	<u>\$ 1,251,256</u>	<u>\$ 1,268,684</u>	<u>\$ 50</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 17,293	\$ 472,110	\$ 489,353	\$ 50
Net payroll		779,146	779,146	-
Interfund payable	185		185	-
Total liabilities	<u>\$ 17,478</u>	<u>\$ 1,251,256</u>	<u>\$ 1,268,684</u>	<u>\$ 50</u>

Statistical Section

Compass academy Charter School
Net Position by Component,
Last Three Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:			
Net investment in capital assets	\$ -	\$ -	\$ -
Restricted for:			
Special revenue			
Capital projects			
Debt service			
Other purposes	1		2,137
Unrestricted	(818)	17,122	(61,974)
Total governmental activities net position	<u>\$ (817)</u>	<u>\$ 17,122</u>	<u>\$ (59,837)</u>
Business-type activities:			
Net investment in capital assets			
Unrestricted	(6,050)	973	4,106
Total business-type activities net position	<u>\$ (6,050)</u>	<u>\$ 973</u>	<u>\$ 4,106</u>
School-wide:			
Net investment in capital assets	\$ -	\$ -	\$ -
Restricted:			
Special revenue	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	1	-	2,137
Unrestricted	(6,868)	18,095	(57,868)
Total school net position	<u>\$ (6,867)</u>	<u>\$ 18,095</u>	<u>\$ (55,731)</u>

Compass Academy Charter School
Changes In Net Position, Last Three Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2014	2015	2016
Expenses:			
Governmental activities:			
Instruction:			
Regular	\$ 450,955	\$ 795,093	\$ 865,126
Special education	107,991	16,653	29,582
Other instruction	-	-	-
Support Services:			
Tuition	-	-	-
Student & instruction related services	147,335	143,856	226,591
School administrative services	89,999	88,000	91,260
General administrative services	83,027	85,123	92,957
Plant operations and maintenance	108,719	150,339	288,987
Pupil transportation	-	2,872	1,985
Business and other support services	-	48,005	72,823
Unallocated employee benefits	110,695	179,235	201,036
Special schools			
Charter schools			
Interest on long-term debt	-	-	-
Unallocated depreciation	-	-	-
Total governmental activities expenses	<u>1,098,721</u>	<u>1,509,176</u>	<u>1,870,147</u>
Business-type activities:			
Food service	62,743	55,852	85,090
Total business-type activities expense	<u>62,743</u>	<u>55,852</u>	<u>85,090</u>
Total district expenses	<u>\$ 1,161,464</u>	<u>\$ 1,565,028</u>	<u>\$ 1,955,237</u>
Program Revenues:			
Governmental activities:			
Operating grants and contributions		235,475	291,990
Total governmental activities program revenues	<u>-</u>	<u>235,475</u>	<u>291,990</u>
Business-type activities:			
Charges for services:			
Food service	16,344	12,414	26,283
Operating grants and contributions	28,429	44,461	61,940
Capital grants and contributions			
Total business type activities program revenues	<u>44,773</u>	<u>56,875</u>	<u>88,223</u>
Total district program revenues	<u>44,773</u>	<u>292,350</u>	<u>380,213</u>
Net (Expense)/Revenue:			
Governmental activities	(1,098,721)	(1,273,701)	(1,578,157)
Business-type activities	(17,970)	1,023	3,133
Total district-wide net expense	<u>(1,116,691)</u>	<u>(1,272,678)</u>	<u>(1,575,024)</u>
General Revenues and Other Changes in Net Position:			
Governmental activities:			
Local tax levy	-	245,814	288,960
Federal and state aid not restricted	1,109,799	1,018,719	1,157,886
Investment earnings	-	-	-
Miscellaneous income	25	33,107	54,352
Transfers	(11,920)	(6,000)	-
Total governmental activities	<u>1,097,904</u>	<u>1,291,640</u>	<u>1,501,198</u>
Business-type activities:			
Investment earnings	-	-	-
Transfers	11,920	6,000	-
Total business-type activities	<u>11,920</u>	<u>6,000</u>	<u>-</u>
Total district-wide	<u>1,109,824</u>	<u>1,297,640</u>	<u>1,501,198</u>
Change In Net Position:			
Governmental activities	(817)	17,939	(76,959)
Business-type activities	(6,050)	7,023	3,133
Total district-wide	<u>\$ (6,867)</u>	<u>\$ 24,962</u>	<u>\$ (73,826)</u>

**Compass Academy Charter School
Fund Balances, Governmental Funds,
Last Three Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:			
Reserved for:			
Encumbrances	\$ 1	\$ -	\$ 2,137
Unreserved	11,111	65,265	(61,974)
Total general fund	<u>\$ 11,112</u>	<u>\$ 65,265</u>	<u>\$ (59,837)</u>
All Other Governmental Funds			
Reserved:			
Encumbrances	\$ -	\$ -	\$ -
Unreserved, reported in:			
Special revenue fund	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Compass Academy Charter School
Changes in Fund Balances, Governmental Funds,
Last Three Fiscal Years
(modified accrual basis of accounting)

Exhibit J-4

	2014	2015	2016
Revenues			
Local tax levy	\$ 174,540	\$ 245,814	\$ 288,960
Miscellaneous	25	39,694	106,102
State sources	741,734	1,069,634	1,211,512
Federal sources	193,525	177,973	186,614
Total revenue	<u>1,109,824</u>	<u>1,533,115</u>	<u>1,793,188</u>
Expenditures			
Instruction			
Regular Instruction	439,026	758,879	913,269
Special education instruction	107,991	16,653	29,582
Support Services:			
Student & instruction related services	174,835	143,856	226,591
School administrative services	62,499	88,000	91,260
General admin.services	31,769	85,123	92,957
Central services	51,258	48,005	72,623
Plant operations and maintenance	108,719	114,881	260,483
Student transportation services		2,872	1,985
Employee benefits	110,695	179,235	201,036
Capital Outlay		35,458	28,504
Total expenditures	<u>1,086,792</u>	<u>1,472,962</u>	<u>1,918,290</u>
Excess (Deficiency) of revenues over (under) expenditures	23,032	60,153	(125,102)
Other Financing sources (uses)			
Transfers out	(11,920)	(6,000)	
Total other financing sources (uses)	<u>(11,920)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ 11,112</u>	<u>\$ 54,153</u>	<u>\$ (125,102)</u>
Debt service as a percentage of non-capital expenditures	<u>-</u>	<u>-</u>	<u>-</u>

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

Compass Academy Charter School
General Fund - Other Local Revenue by Source
Last Three Fiscal Years
(modified accrual basis of accounting)

Exhibit J-5

<u>Fiscal Year Ending June 30,</u>	<u>Local Levy- Charter School Aid</u>	<u>Refund of Prior Year Expense</u>	<u>Insurance Refund</u>	<u>Miscellaneous</u>	<u>Total</u>
2014	\$ 174,540	\$ -	\$ -	\$ 25	\$ 174,565
2015	245,814	27,473	5,131	503	278,921
2016	288,960	52,258		2,094	343,312
	<u>\$ 709,314</u>	<u>\$ 79,731</u>	<u>\$ 5,131</u>	<u>\$ 2,622</u>	<u>\$ 796,798</u>

Source: School records

Compass Academy Charter School
 Demographic and Economic Statistics
 Last Three Fiscal Years

Exhibit J-14

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2014	61,097	\$ 2,166,988,396	\$ 35,468	9.7%
2015	60,818	e	e	8.3%
2016	e	e	e	e

Source:

e Not available.

**Compass Academy Charter School
Full-time Equivalent District Employees by Function/Program,
Last Three Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction			
Regular	9	10	17
Special education			
Other special education			
Support Services:			
Student & instruction related services	2	2	2
School administrative services	2	2	2
General and business administrative services			
Plant operations and maintenance	1	1	2
Pupil transportation			
Other support services	1	1	1
Total	<u>15</u>	<u>16</u>	<u>24</u>

Source: School Personnel Records

Compass Academy Charter School
 Operating Statistics,
 Last Three Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil Teacher Elementary Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2014	104	\$ 1,096,792	\$ 10,546	N/A	7	14.9	104	98	-	94.47%
2015	144	1,437,504	9,983	-5.34%	10	14.4	142	133	36.54%	93.66%
2016	175	1,889,786	10,799	8.17%	12	14.5	175	166	24.81%	94.86%

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- 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).

**Compass Academy Charter School
 School Building Information
 Last Fiscal Year**

Exhibit J-18

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>			
<u>Elementary</u>			
Compass Academy Charter School			
Square Feet	12,000	12,000	12,000
Capacity (students)	159	159	228
Enrollment	104	144	175

Number of Schools at June 30, 2016
 Elementary = 1

Source: Academy Office

**Compass Academy Charter School
Insurance Schedule
June 30, 2016**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Commercial Package:		
Blanket Business Personal Property	\$ 79,000	\$ 1,000
Bodily Injury & Property Damage	16,000,000	
Blanket Hardware and Software	63,500	1,000
Employee Dishonesty Coverage	100,000	1,000
Boiler and Machinery	100,000,000,000	5,000
Business Auto	16,000,000	
Pollution Liability	1,000,000/11,000,000	
Worker's Compensation (1)		
Accident /Disease	2,000,000	
School District Legal Liability (1)	16,000,000	10,000
Student Accident Coverage (2)		
Maximum Benefit	1,000,000	
Catastrophic Student Accident Coverage (3)	5,000,000	25000
Maximum Benefit		
Surety Bond (4)		
Business Administrator	125,000	

- (1) N J School Board Association Insurance Group
- (2) Berkley Insurance Company
- (3) United States Fire Insurance Company
- (4) Ohio Casualty Insurance Company

Source: Charter School records

Compass Academy Charter School
Financial Performance - Fiscal Ratios (Unaudited)
June 30, 2016
(modified accrual basis of accounting)

Exhibit J-21

	2014	2015	2016
Cash	\$ 31,398	\$ 56,725	\$ 38,980
Current Assets	81,986	62,439	54,387
Capital Assets, Net	-	-	-
Total Assets	113,384	119,164	93,367
Current Liabilities	108,322	52,926	149,098
Long Term Liabilities	11,929	48,143	71,657
Total Liabilities	120,251	101,069	220,755
Net Position	\$ (6,867)	\$ 18,095	\$ (127,388)
Total Revenue	\$ 1,154,597	\$ 1,539,075	\$ 1,827,785
Total Expenses	1,161,464	1,514,113	1,973,268
Change in Net Position	\$ (6,867)	\$ 24,962	\$ (145,483)
Depreciation Expense	N/A	N/A	N/A
Principal Payments	N/A	N/A	N/A
Interest Payments	N/A	N/A	N/A
Final Average Daily Enrollment	104	142	176
March 30th Budgeted Enrollment	145	145	176
Near Term Indicators	2014	2015	2016
Current Ratio	1.05	2.25	0.63
Unrestricted Days Cash	9.87	13.67	7.21
Enrollment Variance	71.72%	97.93%	100.00%
Default	No	No	No
Sustainability Indicators			
Total Margin	0%	1.62%	-7.95%
Debt to Asset	100.06%	84.81%	236.43%
Cash Flow	31,398	25,327	(17,745)
Debt Service Coverage Ratio	N/A	N/A	N/A

Single Audit Section

INVERSO & STEWART, LLC
 Certified Public Accountants

651 Route 73 North, Suite 402
 Marlton, New Jersey 08053
 (856) 983-2244
 Fax (856) 983-6674
 E-Mail: Iscpas@concentric.net

-Member of-
 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
 ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
 ASSISTANCE AS REQUIRED BY NEW JERSEY TREASURY CIRCULAR OMB 15-08**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
 Compass Academy Charter School
 Vineland, New Jersey

Report on Compliance for Each Major State Program

I have audited Compass Academy Charter School (Charter School), in the County of Cumberland, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2016. The Charter School's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In my opinion, the Compass Academy Charter School, in the County of Cumberland, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported under State of New Jersey OMB Circular 15-08 and which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as finding no: 2016-002. My opinion on the major state programs is not modified with respect to these matters.

The Charter School's response to the finding identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

Expenditures for federal awards were less than the single audit dollar threshold required by the Uniform Guidance and therefore were not subject to a single audit. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required the Office of School Finance, Department of Education, State of New Jersey and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

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

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter School, in the County of Cumberland, 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 School District's basic financial statements. I issued my report thereon dated November 30, 2016, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey Treasury Circular OMB 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 my opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended for the information of the Board of Education and the New Jersey Department of Education.

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant

Marlton, New Jersey
November 30, 2016

COMPASS ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2016		
						Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education																
Special Revenue Fund:																
No Child Left Behind(N.C.L.B.)																
Title 1 - Current Year	84.010A	S010A150030	NCLB-6089-16	\$ 55,795	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 42,697	\$ (55,794)	\$ -	\$ -	\$ (13,097)	\$ -	\$ -
Title 1 - Prior Year	84.010A	S010A150030	NCLB-6089-15	42,844	7/1/14 - 6/30/15					1,238	(1,238)					
Individuals With Disabilities Act (I.D.E.A.)																
Part B - Basic - Current Year	84.027	H027A150100	IDEA-6089-16	29,582	7/1/15 - 6/30/16					29,582	(29,582)					
Implementation Grant	84.282	U282A120015	IDEA-6089-15	100,000	11/1/14 - 10/31/15					100,000	(100,000)					
Planning Grant	84.282A	U282A120015	IDEA-6089-13	149,819	1/15/13 - 9/15/13			2,885					2,885			
Total Special Revenue Fund						-	-	2,885	-	173,517	(186,614)	-	2,885	(13,097)	-	
U.S. Department of Agriculture																
Enterprise Fund:																
Food Distribution Program	10.565	1616NJ304N109E	N/A	8,289	7/1/15 - 6/30/16					8,289	(8,289)					
National School Lunch Program	10.555	1616NJ304N109E	N/A	35,273	7/1/15 - 6/30/16					28,632	(35,273)			(6,641)		
National School Lunch Program	10.555	1616NJ304N109E	N/A	28,370	7/1/14 - 6/30/15	(8,082)				6,082						
School Breakfast Program	10.553	1616NJ304N109E	N/A	15,324	7/1/15 - 6/30/16					12,753	(15,324)			(2,571)		
School Breakfast Program	10.553	1616NJ304N109E	N/A	13,222	7/1/14 - 6/30/15	(2,577)				2,577						
After School Snack Program	10.555	1616NJ304N109E	N/A	2,184	7/1/15 - 6/30/16					1,901	(2,184)			(283)		
After School Snack Program	10.555	1616NJ304N109E	N/A	2,116	7/1/14 - 6/30/15	(394)				394						
Total Enterprise Fund						(9,053)	-	-	-	60,628	(61,070)	-	-	(9,495)	-	
Total Federal Awards						\$ (9,053)	\$ -	\$ 2,885	\$ -	\$ 234,145	\$ (247,684)	\$ -	\$ 2,885	\$ (22,592)	\$ -	

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

COMPASS ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2016		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
<u>General Fund:</u>													
Equalization Aid	16-495-034-5120-078	\$1,119,492	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 1,109,077	\$ (1,119,492)	\$ -	\$ (10,415)	\$ -	\$ -
Equalization Aid	15-495-034-5120-078	969,812	7/1/14 - 6/30/15	(3,113)				3,113					
Security Aid	16-495-034-5120-084	38,394	7/1/15 - 6/30/16					38,253	(38,394)		(141)		
Security Aid	15-495-034-5120-084	34,951	7/1/14 - 6/30/15	(36)				36					
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	53,626	7/1/15 - 6/30/16					48,492	(53,626)		(5,134)		
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	50,915	7/1/14 - 6/30/15	(26,384)				26,384					
Reimbursed TPAF Social Security Contributions	14-495-034-5094-003	20,303	7/1/13 - 6/30/14	(20,303)				20,303					
Total General Fund				<u>(49,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,245,658</u>	<u>(1,211,512)</u>	<u>-</u>	<u>(15,690)</u>	<u>-</u>	<u>-</u>
State Department of Agriculture													
<u>Enterprise Fund:</u>													
State School Lunch Program	16-100-010-3350-023	870	7/1/15 - 6/30/16					710	(870)		(160)		
State School Lunch Program	15-100-010-3350-023	753	7/1/14 - 6/30/15	(157)				157					
Total Enterprise Fund				<u>(157)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>867</u>	<u>(870)</u>	<u>-</u>	<u>(160)</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance				<u>\$ (49,993)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,245,525</u>	<u>\$ (1,212,382)</u>	<u>\$ -</u>	<u>\$ (15,850)</u>	<u>\$ -</u>	<u>\$ -</u>

Less: State Financial Expenditures Not Subject to Major Program Determination
On-Behalf TPAF Contribution - Pension (Non-Budgeted)
On-Behalf TPAF Contribution - Post-Retirement Medical (Non-Budgeted)
Total State Financial Expenditures Subject to Major Program Determination (1,212,382)

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

**Compass Academy Charter School
Notes to Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Compass Academy Charter School. 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.

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 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or two June state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the Charter School's basic financial statements on a GAAP basis as presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General		\$ 1,211,512	\$ 1,211,512
Special Revenue	\$ 186,614		186,614
Food Service	61,070	870	61,940
Total	<u>\$ 247,684</u>	<u>\$1,212,382</u>	<u>\$ 1,460,066</u>

**Compass Academy Charter School
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016
(Continued)**

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**COMPASS ACADEMY CHARTER SCHOOL
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 weaknesses identified?

_____ yes X no

2) Significant deficiencies identified that are not considered to be a material weakness?

_____ yes X none reported

Noncompliance material to basic financial statements noted?

 X yes _____ no

Federal Awards

NOT APPLICABLE

Internal Control over major programs:

1) Material weakness(es) identified?

_____ yes _____ no

2) Significant deficiencies identified that are not considered to be a material weakness?

_____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?

_____ yes _____ no

Identification of major programs:

CFDA Number(s)

FAIN Number(s)

Name of Federal Program or Cluster

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee?

_____ yes _____ no

COMPASS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section 1 -- Summary of Auditor's Results (Cont'd)

State Awards Section

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 weakness? yes X none reported

Type of auditor's report on compliance for major programs: U nmodified

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

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>16-495-034-5120-078</u>	<u>Equalization Aid</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**COMPASS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding #2016-001

Criteria or specific requirement:

The Board Secretary's Financial Report should properly reflect true balances for all balance sheet accounts, budgetary revenues and budgetary expenditures.

Condition:

The financial records reflect errors in accounts receivable, accounts payable, revenues, and expenditures which required audit adjustments.

Context:

Inadequate controls over financial statement preparation.

Effect:

Improper financial decisions may be taken by the Board of Education if financial reports do not properly reflect true balances.

Cause:

Oversight on part of business administrator.

Recommendation:

The financial records including all assets, liabilities, revenues, and expenditures should be reviewed on a monthly basis for accuracy.

View of responsible officials and planned corrective action:

The management agrees with the finding and will review the Board Secretary's Report on a monthly basis for accuracy.

**COMPASS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section 3 -- Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS

A Federal single audit was not required.

STATE AWARDS

Finding #2016-002

Information on the State Program:

Equalization Aid; GMIS No. 16-495-034-5120-078

Criteria or specific requirement:

The School is required to complete the Application for Charter School Aid in accordance with the instructions provided by the State Department of Education.

Condition:

The student counts for On Roll, Special Ed/Bilingual and Low Income did not agree to supporting documents.

Questioned Costs:

None

Context:

My test disclosed an overstatement of one student in the On-Roll count, an understatement of nine students in the Special Education count and an overstatement of three students in the Low Income count when compared to the District's supporting documents.

Effect:

The reported differences may have an impact on the School's State Aid allocation.

Cause:

Oversight

Recommendation:

That care is exercised in preparing the Application for Charter School Aid.

View of Responsible Officials and Planned Corrective Action:

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**COMPASS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 and NJOMB's Circular 04-04 and/or 15-08, as applicable.

FINANCIAL STATEMENT FINDINGS

Finding #2015-001

As of June 30, 2015, \$2,885 is due from the prior year Federal Planning Grant.

Current Status:

This condition has been corrected.

Finding #2015-002

The reimbursement to the State of New Jersey for pension and social security for federally funded programs was not submitted by October 1.

Current Status:

This condition has been corrected.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

There were no prior year findings .