

**COMPASS ACADEMY CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**

**COMPASS ACADEMY CHARTER SCHOOL**

***Compass Academy Charter School  
Board of Trustees  
Vineland, New Jersey***

***Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Prepared By  
Compass Academy Charter School  
Finance Department**

**And  
Barre & Company LLC, CPA's**

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Secretary, State Board of Education**

**COMPASS ACADEMY CHARTER SCHOOL  
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***INTRODUCTORY SECTION***



***Compass Academy Charter School  
23 W. Chestnut Avenue  
Vineland, New Jersey 08360***

December 5, 2017

Honorable President and  
Members of the Board of Trustees  
Compass Academy Charter School

Vineland, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Compass Academy Charter School (Charter School) for the fiscal year ended June 30, 2017, 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 (the "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 various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## Charter School Organization

An elected nine-member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of the Charter School funds.

The School Principal is responsible to the Board for total educational and support operations. The Business Administrator is the Chief Financial Officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

### 1. REPORTING ENTITY AND ITS SERVICES:

Compass Academy Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the school are included in this report. Compass Academy Charter School’s Board of Trustees, constitutes the Charter School’s reporting entity.

During the fifth year of operation, the 2016-2017 school year, Compass Academy Charter School provided a full range of educational services to students in grades Kindergarten through Grade 5. These services included regular, as well as special education instruction. Compass Academy Charter School’s mission is to increase each child’s success in learning, and as a result, academic achievement. By utilizing and applying its innovative approach, the Charter School leadership and teachers help students develop a stronger sense of self-help as learners. The Charter School has demonstrated success in its early years, and there is much hope and great promise for the future. With a focus on leadership, civics, community service, and academics, the Charter School is armed with a strong Board, experience staff, a well-developed mission and accompanying core values.

#### Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	191.9	9.66%
2015-2016	175	23.24%
2014-2015	142	36.54%
2013-2014	104	0.00%

2. ECONOMIC CONDITION AND OUTLOOK: Vineland is mainly a rural area with its economy somewhat tied to Philadelphia and Wilmington; however Vineland remains primarily self-sufficient and most people work locally. Glassmaking and agriculture are the primary industries. Some new investment is attracting business and visitors to its downtown areas. Recent job growth has increased, and is positive for the future. Its population has grown 11.02 percent since 2000. The city is strategically located between the Delaware Valley and the New Jersey beaches. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Vineland will continue to prosper.

3. **MAJOR INITIATIVES:** The Charter School has developed a comprehensive strategic plan to support its mission and vision and serves as a blueprint for the achievement of its goals. The plan includes objectives, such as pupil achievement as measured by standardized tests and teacher assessment instruments; formal professional development for the certified and non-certified staff; and the implementation of a technology plan in all classrooms.

4. **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.

5. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2017.

6. **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 3. 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.

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

8. **OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, 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 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's Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

9. **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.

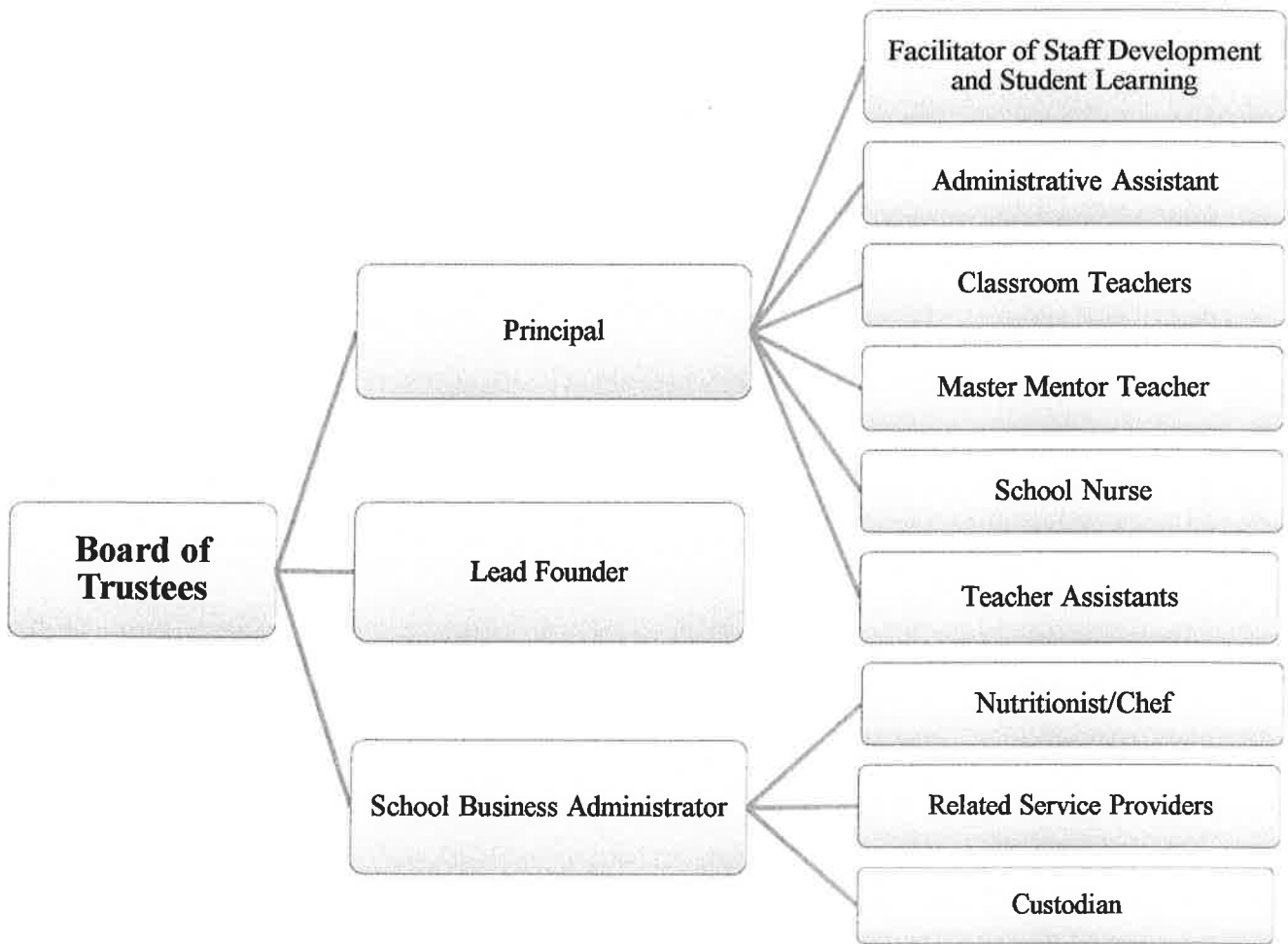
Respectfully submitted,



Glenn Richardson  
School Business Administrator



# Compass Academy Charter School Organization Chart



**COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2017**

**MEMBERS OF THE BOARD OF TRUSTEES**

**TERM EXPIRES**

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  
VINELAND, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company LLC  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, New Jersey 07083

***Attorney***

Cooper Levenson  
1415 Route 70 East  
Cherry Hill Plaza - Suite 205  
Cherry Hill, New Jersey 08304

***Official Depository***

Century Savings Bank  
1376 W. Sherman Avenue  
Vineland, New Jersey 08360

***FINANCIAL SECTION***



***BARRE & COMPANY LLC***  
***CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS***

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

*www.cpa-bc.com ♦ info@cpa-bc.com*

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Compass Academy Charter School (Charter School), in the , State of New Jersey, as of and for the fiscal year ended June 30, 2017, 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***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Compass Academy Charter School, in the , State of New Jersey, as of June 30, 2017, and the respective changes in the 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 and District's Proportionate Share of the Net Pension Liability for TPAF and PERS and District's PERS Contributions and the related notes starting on pages 14, 70 and 76 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

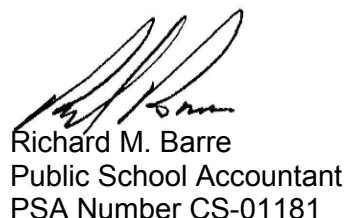
The combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey***

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated December 5, 2017, on our consideration of the Compass Academy Charter School's internal control over financial reporting and our 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 our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
December 5, 2017

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

The discussion and analysis of Compass Academy Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- ❖ General revenues accounted for \$1,985,749 or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$77,982 or 4% of total revenues of \$2,063,731.
- ❖
- ❖ The Charter School had \$2,009,212 in expenses; only \$77,982 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,985,749 were adequate to provide for these programs.
- ❖
- ❖ Among governmental funds, the General Fund had \$1,893,332 in revenues and \$1,774,962 in expenditures. The General Fund's fund balance increased \$118,370 over 2016. This increase was anticipated by the Board of Trustees.

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

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

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

**Reporting the Charter School as a Whole**

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

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by

**COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(CONTINUED)**

**Statement of Net Position and the Statement of Activities (Continued)**

most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

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

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

**Governmental Funds**

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

**COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(CONTINUED)**

**Enterprise Fund**

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 36 of this report.

**The Charter School as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined Net Position were -\$1,212 for 2017 and -\$55,731 for 2016.

**Governmental Activities**

The Charter School's total revenues were \$1,985,749 for 2017 and \$1,793,188 for 2016, this includes \$53,519 for 2017 and \$0 for 2016 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$1,936,156 for 2017 and \$1,870,147 for 2016. Instruction comprises 57% for 2017 and 40% for 2016 of Charter School expenses.

**Business-Type Activities**

Revenues for the Charter School's business-type activities (Food Service) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service revenues exceeded expenses by \$4,926 for 2017 and by \$4,106 for 2016.
- ❖ Charges for services represent \$18,568 for 2017 and \$26,283 for 2016 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$59,414 for 2017 and 61,940 for 2016.

**COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(CONTINUED)**

**Governmental Activities**

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services.

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

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,985,749 for 2017 and \$1,793,188 for 2016 and expenditures were \$1,867,379 for 2017 and \$1,918,290 for 2016. The net change in fund balance was most significant in the general fund, an increase of \$118,370 in 2017 and a decrease of -\$125,102 in 2016.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Local Sources	\$ 328,825	16.56%	\$ (66,237)	-16.77%
State Sources	1,564,507	78.79%	352,995	29.14%
Federal Sources	92,417	4.65%	(94,197)	-50.48%
<b>Total</b>	<b>\$ 1,985,749</b>	<b>100.00%</b>	<b>\$ 192,561</b>	



**COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2017, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Instruction	\$ 917,319	49.12%	\$ (252,123)	-21.56%
Administration	590,405	31.62%	132,529	28.94%
Support Services	359,655	19.26%	97,187	37.03%
Capital Outlay	-	0.00%	(28,504)	-100.00%
<b>Total</b>	<b>\$ 1,867,379</b>	<b>100.00%</b>	<b>\$ (50,911)</b>	

**General Fund Budgeting Highlights**

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

Over the course of the year, the Charter School revised the annual operating budget in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

**Capital Assets (Net of Depreciation)**

The Charter School had \$0 for 2017 and \$0 for 2016 invested in building improvements.

**For the Future**

The Compass Academy Charter School is in stable financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Compass Academy Charter School has committed itself to financial stability for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**COMPASS ACADEMY CHARTER SCHOOL  
VINELAND, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(CONTINUED)**

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Glenn Richardson, School Business Administrator at Compass Academy Charter School, 23 W. Chestnut Avenue, Vineland, New Jersey 08360.

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

***The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.***

**COMPASS ACADEMY CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 98,252	\$ 8,529	\$ 106,781
Interfund Receivable	13,991	500	14,491
Other Receivables	38,240	7,446	45,686
Inventories		1,033	1,033
<b>Total Assets</b>	<b>150,483</b>	<b>17,508</b>	<b>167,991</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	372,420		372,420
<b>Total Deferred Outflows of Resources</b>	<b>372,420</b>	<b>-</b>	<b>372,420</b>
<b>LIABILITIES:</b>			
Cash Overdraft			-
Interfund Payable	3,933	7,729	11,662
Payable to State Government	65,162		65,162
Accounts Payable	22,855	747	23,602
Other Current Liabilities			-
Pensions	441,197		441,197
<b>Total Liabilities</b>	<b>533,147</b>	<b>8,476</b>	<b>541,623</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	-		-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION:</b>			
Unassigned	(10,244)	9,032	(1,212)
<b>Total Net Position</b>	<b>\$ (10,244)</b>	<b>\$ 9,032</b>	<b>\$ (1,212)</b>

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

**COMPASS ACADEMY CHARTER SCHOOL**  
 Statement of Activities  
 For The Fiscal Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 867,319	\$ 226,677	\$ -	\$ -	\$ -	\$ (1,093,996)	\$ -	\$ (1,093,996)
Administration	410,579	38,635				(449,214)		(449,214)
Support Services	359,655	33,291				(392,946)		(392,946)
<b>Total Governmental Activities</b>	<b>1,637,553</b>	<b>\$ 298,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,936,156)</b>	<b>-</b>	<b>(1,936,156)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	73,056		18,568	59,414			4,926	4,926
Total Business-Type Activities	73,056		18,568	59,414	-	-	4,926	4,926
Total Primary Government	<u>\$ 1,710,609</u>		<u>\$ 18,568</u>	<u>\$ 59,414</u>	<u>\$ -</u>	<u>\$ (1,936,156)</u>	<u>\$ 4,926</u>	<u>\$ (1,931,230)</u>
<b>GENERAL REVENUES</b>								
General Purposes			\$ 325,190				\$ -	\$ 325,190
Federal and State Aid Not Restricted			1,656,924					1,656,924
Miscellaneous Income			3,635					3,635
Total General Revenues			<u>1,985,749</u>				<u>-</u>	<u>1,985,749</u>
Change in Net Position			49,593				4,926	54,519
Net Position - Beginning of Year			(59,837)				4,106	(55,731)
Net Position - Ending			<u>\$ (10,244)</u>				<u>\$ 9,032</u>	<u>\$ (1,212)</u>

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

**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***



**COMPASS ACADEMY CHARTER SCHOOL**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2017

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	94,319	\$ 3,933	\$ 98,252
Receivables:			
Interfund Receivables	13,991		13,991
Receivables From Other Governments	38,240		38,240
Total Current Assets	146,550	3,933	150,483
Total Assets	\$ 146,550	\$ 3,933	\$ 150,483
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 3,933	\$ 3,933
Payable to State Government	65,162		65,162
Accounts Payable	22,855		22,855
Total Current Liabilities	88,017	3,933	91,950
Total Liabilities	88,017	3,933	91,950
Fund Balances:			
Unassigned:			
General Fund	58,533		58,533
Total Fund Balances	58,533	-	58,533
Total Liabilities and Fund Balances	\$ 146,550	\$ 3,933	

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

Net pension liability of \$441,197, deferred inflows of resources of \$ less deferred outflows of resources of \$372,420 related to pensions are not reported in the governmental funds	(68,777)
Net Position of Governmental Activities	\$ (10,244)

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

**COMPASS ACADEMY CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ 325,190	\$ -	\$ 325,190
Miscellaneous	3,635		3,635
Total Local Sources	328,825	-	328,825
State Sources	1,564,507		1,564,507
Federal Sources		92,417	92,417
Total Revenues	1,893,332	92,417	1,985,749
<b>EXPENDITURES:</b>			
Current:			
Instruction	867,319	50,000	917,319
Administration	590,405		590,405
Support Services	317,238	42,417	359,655
Total Expenditures	1,774,962	92,417	1,867,379
NET CHANGE IN FUND BALANCES	118,370	-	118,370
FUND BALANCES, JULY 1	(59,837)	-	(59,837)
FUND BALANCES, JUNE 30	\$ 58,533	\$ -	\$ 58,533

The accompanying Notes to 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, 2017

Total net change in fund balances - governmental fund (from B-2)	\$	118,370
<p>Amounts reported for governmental activities in the statement                  of activities (A-2) are different because:</p>		
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds                  as expenditures in the year the school pension contribution is paid. However, on the statement                  of activities, the net difference between the current and prior year net pension liability is                  recognized.</p>		
		<u>(68,777)</u>
Change in net position of governmental activities	\$	<u><u>49,593</u></u>

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

***PROPRIETARY FUNDS***

**COMPASS ACADEMY CHARTER SCHOOL**
 Proprietary Fund  
 Statement of Net Position  
 June 30, 2017

	Business-Type Activities
	<u>Food Service</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 8,529
Due From Other Funds	500
Receivables From Other Governments	3,087
Other Receivables	4,359
Inventories	<u>1,033</u>
Total Assets	<u><u>\$ 17,508</u></u>
<b>LIABILITIES AND NET POSITION:</b>	
Current Liabilities:	
Interfund Accounts Payable	\$ 7,729
Accounts Payable	<u>747</u>
Total Current Liabilities	<u>8,476</u>
Total Liabilities	<u>8,476</u>
<b>NET POSITION:</b>	
Unassigned	<u>9,032</u>
Total Net Position	<u>9,032</u>
Total Liabilities and Net Position	<u><u>\$ 17,508</u></u>

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

**COMPASS ACADEMY CHARTER SCHOOL**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities Enterprise Fund
	Food Service
<b>OPERATING REVENUES:</b>	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 18,568
Total Operating Revenues	18,568
<b>OPERATING EXPENSES:</b>	
Salaries	35,260
Cost of Sales	37,711
Miscellaneous Expenses	85
Total Operating Expenses	73,056
<b>OPERATING LOSS</b>	<b>(54,488)</b>
<b>NONOPERATING REVENUES:</b>	
State Source:	
State Lunch Program	966
Federal Source:	
Federal Breakfast Program	14,859
Federal Lunch Program	43,589
Total Nonoperating Revenues	59,414
<b>CHANGE IN NET POSITION</b>	<b>4,926</b>
<b>TOTAL NET POSITION, JULY 1</b>	<b>4,106</b>
<b>TOTAL NET POSITION, JUNE 30</b>	<b>\$ 9,032</b>

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

**COMPASS ACADEMY CHARTER SCHOOL**  
 Proprietary Funds  
 Statement of Cash Flows  
 For The Fiscal Year Ended June 30, 2017

	Business-Type Activities
	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 18,568
Cash Payments to Suppliers and Employees	(86,988)
Net Cash Used by Operating Activities	(68,420)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received from State and Federal Reimbursements	59,414
Net Cash Provided by Noncapital Financing Activities	59,414
Net Decrease in Cash and Cash Equivalents	(9,006)
Cash and Cash Equivalents, July 1	17,535
Cash and Cash Equivalents, June 30	\$ 8,529
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss Used for Operating Activities	\$ (54,488)
Depreciation	
Changes in Assets and Liabilities:	
Decrease in Interfund Accounts Receivable	5,500
Increase in Intergovernmental Accounts Receivable	6,568
Increase in Other Receivables	
Increase in Interfund Accounts Payable	(26,000)
Net Cash Used by Operating Activities	\$ (68,420)

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

***FIDUCIARY FUNDS***



**COMPASS ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2017

	<u>Trusts</u> <u>Flexible</u> <u>Spending</u> <u>Account</u>	<u>Total</u> <u>Agency</u> <u>Funds</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 5,134	\$ 7,106
Total Assets	<u>\$ 5,134</u>	<u>\$ 7,106</u>
<b>LIABILITIES:</b>		
Interfund Payable	\$ 2,779	\$ 50
Deposits Payable		927
Due to Student Groups		<u>6,129</u>
Total Liabilities	<u>2,779</u>	<u>\$ 7,106</u>
<b>NET POSITION:</b>		
Held in Trust	<u>2,355</u>	
Total Net Position	<u>2,355</u>	
Total Liabilities and Net Position	<u>\$ 2,355</u>	

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

**COMPASS ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For Fiscal Year Ended June 30, 2017

	Trusts Flexible Spending Account
ADDITIONS:	
Contributions:	
Employees	\$ 13,539
Total Additions	13,539
DEDUCTIONS:	
Payments	11,184
Total Deductions	11,184
CHANGE IN NET POSITION	2,355
NET POSITION, JULY 1	-
NET POSITION, JUNE 30	\$ 2,355

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

***NOTES TO THE FINANCIAL STATEMENTS***

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Compass Academy Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

For fiscal year 2016, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure.

**B. Reporting Entity**

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Compass Academy Charter School include two schools a Grade K-6 and a Grade 7-12 located in the City of Vineland. There are 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.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statements – Government-Wide Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Charter School.

**D. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

**Governmental Fund Types**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements – Fund Financial Statements (Continued)**

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

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

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

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

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements – Fund Financial Statements (Continued)**

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

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income.

The Charter School's Enterprise Fund are comprised of the Food Service Fund operations.

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:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements – Fund Financial Statements (Continued)**

resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be sued to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is



**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements – Fund Financial Statements (Continued)**

made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

*Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds):* The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**F. Budgets/Budgetary Control**

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

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$	92,417
Adjustments:		
Less Encumbrances at June 30, 2017		-
Plus Encumbrances at June 30, 2016		-
		-
Total Revenues and Expenditures (GAAP Basis)	\$	92,417

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

**G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity**

**1. Deposits and Investments**

Deposits are cash and cash equivalents including 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. Other than Certificates of Deposit, deposits with maturities of greater than three months are

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

considered to be Investments. 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.

New Jersey charter schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey charter schools.

Additionally, the Charter School had adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

2. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represents 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.

3. Inventories

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

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Charter School has included all infrastructure assets in the current fiscal year.

5. Fund Equity

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.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)** (Continued)

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

**H. Fund Balance Reserves**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**I. Impact of Recently Issued Accounting Principles**

**Adopted Accounting Pronouncements**

For the year ended June 30, 2017, the Charter School implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Charter School is required to measure certain investments at fair value for financial reporting purposes. In addition, the Charter School is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Charter School's financial statements.

The Charter School implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Charter School's financial statements.

The Charter School implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Charter School's financial statements.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Principles (Continued)**

**Recently Issued and Adopted Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Principles (Continued)**

Recently Issued and Adopted Accounting Pronouncements (Continued)

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement will be effective for the year ended June 15, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ended December 15, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement will be effective for the year ended December 15, 2019. Management has not yet evaluated the impact of this Statement on the Charter School's financial statements.

**J. PENSIONS**

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

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits 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.

As of June 30, 2017, cash and cash equivalents of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	\$ 94,319	\$ 3,933	\$ 8,529	\$ 12,240	\$ 119,021

The Charter School had no investments at June 30, 2017.

The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$119,021 and the bank balance was \$139,929. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. As of June 30, 2017, none of the cash and cash equivalents for Compass Academy Charter School were exposed to custodial credit risk.



**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

Deposits and Investments (Continued)

Deposits (Continued)

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

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
  - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
  - (2) Government money market mutual funds;
  - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
  - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
  - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
  - (6) Local government investment pools;
  - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
  - (8) Agreements for the repurchase of fully collateralized securities, if:
    - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
    - b. the custody of collateral is transferred to a third party;
    - c. the maturity of the agreement is not more than 30 days; and
    - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

Investments (Continued)

*Credit Risk:* The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2017.

*Interest Rate Risk:* The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2017.

*Concentration of Credit Risk:* The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2017.

Receivables

Receivables at June 30, 2017, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 38,056	\$ 38,105
Federal Aid	-	3,038
Other	184	5,043
Gross Receivables	38,240	46,186
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 38,240</u>	<u>\$ 46,186</u>

A. Interfund Receivables and Payables

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2017:

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

Receivables (Continued)

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 13,991	\$ -
Special Revenue Fund		3,933
Proprietary Fund	500	7,729
Fiduciary Fund		2,829
Total	<u>\$ 14,491</u>	<u>\$ 14,491</u>

B. Capital Assets

The Charter School had no Capital asset activity for the fiscal year ended June 30, 2017.

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Rental Lease

In April, 2017, a new Lease was entered into between Divine Mercy Parish, of Vineland, New Jersey and Compass Academy Charter School, for the premises located at 23 West Chestnut Street, Vineland, New Jersey, for a term commencing on August 1, 2017 and ending on August 1, 2020. The lease requires future annual rental payments as follows:

Year Ended	Amount
June 30, 2018	\$ 96,000
June 30, 2019	96,000
June 30, 2020	96,000
June 30, 2021	96,000
June 30, 2022	96,000
Total future rental payments	<u>\$ 480,000</u>

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS**

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

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

**Plan Description**

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefits Provided**

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

<b>Tier</b>	<b>Descriptions</b>
<b>1</b>	Members who were enrolled prior to July 1, 2007
<b>2</b>	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
<b>3</b>	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
<b>4</b>	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
<b>5</b>	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Benefits Provided (Continued)**

age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Basis of Presentation**

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2015 through June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$13,234 for fiscal year 2016.

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

At June 30, 2017, the Charter School reported a liability of \$441,197 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 which was rolled forward to June 30, 2016. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Charter School's proportion was 0.00148967%, which was an increase of 0.00148967% from its proportion measured as of June 30, 2015, inasmuch as this was the first year of the Charter School's participation in the GASB 68 pension liability reporting.

For the fiscal year ended June 30, 2016, the Charter School recognized pension expense of \$13,234. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 91,392	\$ -
Changes in Proportion	\$ 242,766	
Difference Between Expected and Actual Experience	8,205	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	16,823	
	\$ 359,186	\$ -

**Changes In Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.67, 5.72 and 6.44 years for 2016, 2015 and 2014 respectively.

Amounts reported as deferred outflows of resources and deferred inflows resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2017	\$ 26,211
2018	26,211
2019	30,366
2020	25,512
2021	8,120
	\$ 116,421

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuations as of July 1, 2015. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are setback 4 years for males and in addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000

Combined Health Male and Female Mortality Tables (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.66% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by



**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return (Continued)**

the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

Cash	5.00%	0.87%
Core Bonds	1.50%	1.74%
Intermediate-Term Bonds	8.00%	1.79%
Mortgage	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's proportionate share of the Net Pension Liability	\$ 540,635	\$ 441,197	\$ 359,102

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements

**B. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefit Provided**

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

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Benefit Provided (Continued)**

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective Tier. Deferred retirements is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Contributions**

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016 and 2015, the State's pension contribution was less than the actuarially determined amount.

**Special Funding Situation**

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. Since the Charter School did not participate in the TPAF pension contribution for the school year ended 2017, there was no contribution from the State of New Jersey on behalf of the Charter School.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Not Applicable to Compass Academy Charter School)**

As June 30, 2017, the State's proportionate share of the net pension liability associated with the Charter School was \$. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016.

The Charter School's proportion of the net pension liability was based on a projection of the CS / District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, Charter School's proportion was , which was an increase of 0.000000% from its proportion measured as of June 30, 2015.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Not Applicable to Compass Academy Charter School) (Continued)**

Charter School's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with the Charter School		-
Total	\$	-

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the Charter School in the amount of \$ and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 15,702,750,875	\$ -
Difference Between Expected and Actual Experience	277,221,464	134,532,594
Changes in Proportion and differences between employer contributions and proportionate share of contributions	1,434,728,663	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	166,303,494	166,303,494
	\$ 17,581,004,496	\$ 300,836,088

The \$17,581,004,496 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$300,836,088 reported as a deferred inflow of resources resulting from the difference between projected and actual.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

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

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return (Continued)**

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2016 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
U.S. Equity Markets	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds- Multi Strategy	5.00%	3.70%
Hedge Funds- Equity Hedge	3.75%	4.72%
Hedge Funds- Distressed	3.75%	3.49%

The following presents the net pension liability of the State as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2016		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
	\$	\$	\$
Charter School's proportionate share of the Net Pension Liability	-	-	-

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3: PENSION PLANS (CONTINUED)**

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

**Pension Plan Fiduciary Net Position – TPAF**

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

**C. Defined Contribution Retirement Program (DCRP)**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School recognized pension expense of \$-0- for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$0 for the fiscal year ended June 30, 2017.



**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

**NOTE 5: RISK MANAGEMENT**

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

**Property and Liability Management**

The Charter maintains commercial insurance coverage for property, liability, student accident, and surety bonds, as well as all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**New Jersey Unemployment Compensation Insurance**

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

**COMPASS ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6: DETAILED DISCLOSURE REGARDING FUND EQUITY**

General Fund

The General Fund balance at June 30, 2017 is \$58,533 and is unassigned and undesignated.

**NOTE 7: SUBSEQUENT EVENTS**

Compass Academy Charter School's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

**COMPASS ACADEMY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
"Local Levy" Local Share - Charter School Aid	\$ 325,190	\$ -	\$ 325,190	\$ 325,190	\$ -
<b>Total Local Sources</b>	<b>325,190</b>	<b>-</b>	<b>325,190</b>	<b>325,190</b>	<b>-</b>
Categorical Aid:					
"Local Levy" State Share - Charter School Aid	1,278,840		1,278,840	1,278,840	-
Special Education	32,246		32,246	32,246	-
Security Aid	46,094		46,094	46,094	-
Non-Public Aid	44,561		44,561	44,561	-
<b>Total Categorical Aid</b>	<b>1,401,741</b>	<b>-</b>	<b>1,401,741</b>	<b>1,401,741</b>	<b>-</b>
Revenues From Other Sources:					
On-Behalf TPAF Pension Aid (Non-Budgeted)				59,291	
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)				49,402	49,402
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)				554	554
Reimbursed TPAF Social Security Aid (Non-Budgeted)				53,519	53,519
Other Local Sources				3,635	3,635
<b>Total Revenues From Other Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,401</b>	<b>107,110</b>
<b>Total Revenues</b>	<b>1,726,931</b>	<b>-</b>	<b>1,726,931</b>	<b>1,893,332</b>	<b>107,110</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	684,465	23,373	707,838	707,838	-
Other Salaries for Instruction	73,612	20,322	93,934	93,934	-
Purchased Prof/Tech Services	8,210	(4,515)	3,695	3,695	-
Other Purchased Services		9,341	9,341	9,341	-
General Supplies	23,000	8,523	31,523	31,523	-
Textbooks	14,000	1,670	15,670	15,670	-
Miscellaneous		5,318	5,318	5,318	-
<b>Total Instruction</b>	<b>803,287</b>	<b>64,032</b>	<b>867,319</b>	<b>867,319</b>	<b>-</b>
Administration:					
Salaries - General Administration	91,555	4,886	96,441	96,441	-
Salaries of Secretarial/Clerical Assistants	37,440	2,769	40,209	40,209	-
Total Benefits Cost	126,036	18,022	144,058	135,807	8,251
Purchases Prof/Tech Services	92,300	(7,439)	84,861	84,861	-
Other Purchased Services	19,831	18,226	38,057	38,057	-
Communications/Telephone	4,625	3,056	7,681	7,681	-
Supplies and Materials	292	5,554	5,846	5,846	-
Miscellaneous Expenses	24,029	(6,908)	17,121	17,121	-
<b>Total Administration</b>	<b>396,108</b>	<b>40,201</b>	<b>436,309</b>	<b>427,639</b>	<b>8,670</b>

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

**COMPASS ACADEMY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries					
Salaries - Nurse					
Salaries - Improvement of Instruction	80,599	(3,384)	77,215	77,215	-
Salaries - Custodial	35,120	5,380	40,500	40,500	-
Purchased Prof/Tech Services	30,225	(173)	30,052	29,668	384
Rental of Land and Buildings	135,000	(27,562)	107,438	107,438	-
Transportation-Other Than To/From School	3,960	695	4,655	3,940	715
Insurance for Property, Liability and Fidelity	18,825	2,600	21,425	21,425	-
Supplies and Materials	5,000	1,955	6,955	6,686	269
Energy Costs (Heat and Electricity)	40,000	(630)	39,370	30,366	9,004
<b>Total Support Services</b>	<b>366,729</b>	<b>(39,119)</b>	<b>327,610</b>	<b>317,238</b>	<b>10,372</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				59,291	(59,291)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				49,402	(49,402)
On-Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				554	(554)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				53,519	(53,519)
<b>Total Expenditures</b>	<b>1,566,124</b>	<b>65,114</b>	<b>1,631,238</b>	<b>1,774,962</b>	<b>(143,724)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	160,807	(65,114)	95,693	118,370	22,677
Other Financing Sources (Uses)					
Food Service	18,000		18,000		18,000
<b>Total Other Financing Sources (Uses)</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	142,807	(65,114)	77,693	118,370	40,677
<b>FUND BALANCE, JULY 1</b>	<b>(59,836)</b>	<b>-</b>	<b>(59,836)</b>	<b>(59,837)</b>	<b>1</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 82,971</b>	<b>\$ (65,114)</b>	<b>\$ 17,857</b>	<b>\$ 58,533</b>	<b>\$ 40,678</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 82,971	\$ (65,114)	17,857	\$ 58,533	\$ 40,676
<b>Total</b>	<b>\$ 82,971</b>	<b>\$ (65,114)</b>	<b>\$ 17,857</b>	<b>\$ 58,533</b>	<b>\$ 40,676</b>

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

**COMPASS ACADEMY CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Federal Sources	\$ 97,213	\$ (4,796)	\$ 92,417	\$ 92,417	\$ -
Total Revenues	<u>97,213</u>	<u>(4,796)</u>	<u>92,417</u>	<u>92,417</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	50,000		50,000	50,000	-
General Supplies	4,796	(4,796)	-	-	-
Total Instruction	<u>54,796</u>	<u>(4,796)</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Support Services:					
Personal Services - Employee Benefits	13,000		13,000	13,000	-
Total Support Services	<u>42,417</u>	<u>-</u>	<u>42,417</u>	<u>42,417</u>	<u>-</u>
Total Expenditures	<u>97,213</u>	<u>(4,796)</u>	<u>92,417</u>	<u>92,417</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***



**COMPASS ACADEMY CHARTER SCHOOL**  
 Budgetary Comparison Schedule  
 Budget-To-GAAP Reconciliation  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2017

Note A - Explanation of differences between Budgetary Inflows and GAAP Revenues and Expenditures

		General Fund		Special Revenue Fund
<b>Sources/Inflows of Resources</b>				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b>	\$ 1,893,332	<b>[C-2]</b>	92,417
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b>	\$ 1,893,332	<b>[B-2]</b>	\$ 92,417
 <b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b>	\$ 1,774,962	<b>[C-2]</b>	92,417
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b>	\$ 1,774,962	<b>[B-2]</b>	\$ 92,417

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

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

**COMPASS ACADEMY CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS**  
**UNAUDITED**

	<u>2017</u>
Charter School's proportion of the net pension liability	0.003641950%
Charter School's proportionate share of the net pension liability	\$ 441,197
Charter School's covered employees payroll	\$ 193,707
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	228%
Plan fiduciary net position as a percentage of the total pension liability	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**COMPASS ACADEMY CHARTER SCHOOL  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS  
 PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST THREE FISCAL YEARS  
 UNAUDITED**

	Fiscal Year Ending June 30, <u>2017</u>
Contractually required contribution	\$ 13,234
Contributions in relation to the contractually required contribution	<u>(13,234)</u>
Contribution deficiency/(excess)	<u><u>\$ -</u></u>
Charter School's covered employee payroll	\$ 193,707
Contributions as a percentage of covered employee payroll	6.83%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III***

**COMPASS ACADEMY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2017**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67.

**COMPASS ACADEMY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2017**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67.



***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

***Special revenue funds are used to account for the proceeds of specific revenue sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.***

**COMPASS ACADEMY CHARTER SCHOOL**  
Special Revenue Fund  
Combining Schedule of Revenues and Expenditures  
Budgetary Basis  
For the Fiscal Year Ended June 30, 2017

	Title I	IDEA Part B	Total
Revenues:			
Federal Sources	\$ 63,000	\$ 29,417	\$ 92,417
Local Sources			-
Total Revenues	<u>\$ 63,000</u>	<u>\$ 29,417</u>	<u>\$ 92,417</u>
Expenditures:			
Instruction:			
Salaries of Teachers	\$ 50,000	\$ -	\$ 50,000
Total Instruction	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Support Services:			
Personal Services/Employee Benefits	13,000		13,000
Purchased Technical Services		29,417	29,417
Total Support Services	<u>13,000</u>	<u>29,417</u>	<u>42,417</u>
Total Expenditures	<u>63,000</u>	<u>29,417</u>	<u>92,417</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENT**

***Fiduciary Funds are used to account for funds received by the Charter School for a specific purpose.***

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

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

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

**COMPASS ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2017

	Trusts	Agency				Total Agency Funds
	Flexible Spending Account	Payroll Agency	Payroll Account	Scrip	Student Activity	
<b>ASSETS:</b>						
Cash and Cash Equivalents	3,533	\$ 25	\$ 25	\$ 1,601	\$ 7,056	\$ 7,106
Receivables:						
Interfund Loan						-
<b>Total Assets</b>	<u>\$ 3,533</u>	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 1,601</u>	<u>\$ 7,056</u>	<u>\$ 7,106</u>
<b>LIABILITIES:</b>						
Liabilities:						
Interfund Payable	1,178	\$ 25	\$ 25	1,601	\$ -	\$ 50
Deposits Payable					927	927
Due to Student Groups					6,129	6,129
<b>Total Liabilities</b>	<u>1,178</u>	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 1,601</u>	<u>\$ 7,056</u>	<u>\$ 7,106</u>
<b>NET POSITION</b>						
Held In Trust	-					
<b>Total Net Position</b>	<u>2,355</u>					
<b>Total Liabilities and Net Position</b>	<u>\$ 3,533</u>					

**COMPASS ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 Trust Funds  
 For the Fiscal Year Ended June 30, 2017

	<u>Flexible Spending Account</u>
ADDITIONS:	
Contributions:	
Employees	<u>\$      13,539</u>
Total Additions	<u>          13,539</u>
DEDUCTIONS:	
Payments	<u>          11,184</u>
Total Deductions	<u>          11,184</u>
CHANGE IN NET POSITION	2,355
NET POSITION, JULY 1	<u>                  -</u>
NET POSITION (DEFICIT), JUNE 30	<u><u>          \$      2,355</u></u>

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

**COMPASS ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Student Groups	<u>\$ 7,947</u>	<u>\$ 5,287</u>	<u>\$ 6,178</u>	<u>\$ 7,056</u>
Total	<u><u>\$ 7,947</u></u>	<u><u>\$ 5,287</u></u>	<u><u>\$ 6,178</u></u>	<u><u>\$ 7,056</u></u>



**COMPASS ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 June 30, 2017

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 25	\$ 517,830	\$ 517,830	\$ 25
<b>Total Assets</b>	<u>\$ 25</u>	<u>\$ 517,830</u>	<u>\$ 517,830</u>	<u>\$ 25</u>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 25	\$ 517,830	\$ 517,830	\$ 25
<b>Totals</b>	<u>\$ 25</u>	<u>\$ 517,830</u>	<u>\$ 517,830</u>	<u>\$ 25</u>

**STATISTICAL SECTION  
(UNAUDITED)**

***Compass Academy Charter School has been in operation for four (4) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for four (4) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.***

**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the charter school's financial performance and well being have changed over time.

**Revenue Capacity (Not Applicable To Charter School)**

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the district provides and the activities it performs.

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

***FINANCIAL TRENDS***

**COMPASS ACADEMY CHARTER SCHOOL**  
 Net Position by Component  
 Last Four Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities Unrestricted	<u>\$ (10,244)</u>	<u>\$ (59,837)</u>	<u>\$ 17,122</u>	<u>\$ (817)</u>
Total Governmental Activities Net Assets/ Position	<u>\$ (10,244)</u>	<u>\$ (59,837)</u>	<u>\$ 17,122</u>	<u>\$ (817)</u>
Business-Type Activities Unrestricted	<u>\$ 9,032</u>	<u>\$ 4,106</u>	<u>\$ 973</u>	<u>\$ (6,050)</u>
Total Business-Type Activities Net Assets/Position	<u>\$ 9,032</u>	<u>\$ 4,106</u>	<u>\$ 973</u>	<u>\$ (6,050)</u>
Charter School-Wide Unrestricted	<u>(1,212)</u>	<u>(55,731)</u>	<u>18,095</u>	<u>(6,867)</u>
Total Charter School Net Position	<u>\$ (1,212)</u>	<u>\$ (55,731)</u>	<u>\$ 18,095</u>	<u>\$ (6,867)</u>

**Source: Comprehensive Annual Financial Report**

**COMPASS ACADEMY CHARTER SCHOOL**

Changes in Net Position  
Last Four Fiscal Years  
(accrual basis of accounting)  
Unaudited

	2017	2016	2015	2014
<b>Expenses</b>				
Governmental Activities:				
Instruction	\$ 1,093,996	1,121,299	955,602	706,281
Administration	449,214	385,253	352,358	283,721
Support Services	392,946	335,091	165,758	108,719
Capital Outlay		28,504	35,458	-
Total Governmental Activities Expenses	<u>1,936,156</u>	<u>1,870,147</u>	<u>1,509,176</u>	<u>1,098,721</u>
Business-Type Activities:				
Food Service	73,056	85,090	55,852	62,743
Total Business-Type Activities Expenses	<u>73,056</u>	<u>85,090</u>	<u>55,852</u>	<u>62,743</u>
Total Charter School Expenses	<u>\$ 2,009,212</u>	<u>\$ 1,955,237</u>	<u>\$ 1,565,028</u>	<u>\$ 1,161,464</u>
<b>Program Revenues</b>				
Governmental Activities:				
Operating Grants and Contributions	\$ -	\$ 291,990	\$ 235,475	\$ -
Total Governmental Activities Expenses	<u>-</u>	<u>291,990</u>	<u>235,475</u>	<u>-</u>
Business-Type Activities:				
Charges for Services	18,568	26,283	12,414	16,344
Operating Grants and Contributions	59,414	61,940	44,461	28,429
Total Business-Type Activities Expenses	<u>77,982</u>	<u>88,223</u>	<u>56,875</u>	<u>44,773</u>
Total Charter School Program Revenue	<u>\$ 77,982</u>	<u>\$ 380,213</u>	<u>\$ 292,350</u>	<u>\$ 44,773</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (1,936,156)	\$ (1,578,157)	\$ (1,273,701)	\$ (1,098,721)
Business-Type Activities	4,926	3,133	1,023	(17,970)
Total Charter School Net Expense	<u>\$ (1,931,230)</u>	<u>\$ (1,575,024)</u>	<u>\$ (1,272,678)</u>	<u>\$ (1,116,691)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
General Purposes	\$ 325,190	\$ 288,960	\$ 245,814	\$ -
Federal and State Aid Not Restricted	1,656,924	1,157,886	1,018,719	1,109,799
Miscellaneous Income	3,635	54,352	33,107	25
Transfers	-		(6,000)	(11,920)
Total Governmental Activities	<u>1,985,749</u>	<u>1,501,198</u>	<u>1,291,640</u>	<u>1,097,904</u>
Business-Type Activities:				
General Purposes	-	-	-	-
Miscellaneous Income	-	-	6,000	11,920
Total Business-Type Activities Expenses	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>11,920</u>
Total Charter School Wide	<u>\$ 1,985,749</u>	<u>\$ 1,501,198</u>	<u>\$ 1,297,640</u>	<u>\$ 1,109,824</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 49,593	\$ (76,959)	\$ 17,939	\$ (817)
Business-Type Activities	4,926	3,133	7,023	(6,050)
Total Charter School	<u>\$ 54,519</u>	<u>\$ (73,826)</u>	<u>\$ 24,962</u>	<u>\$ (6,867)</u>

**COMPASS ACADEMY CHARTER SCHOOL**  
Fund Balances - Governmental Funds  
Last Four Fiscal Years  
*(modified accrual basis of accounting)*  
Unaudited

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Restricted	\$ -	\$ 2,137	\$ -	\$ 1
Unassigned	<u>58,533</u>	<u>(61,974)</u>	<u>65,265</u>	<u>11,111</u>
Total General Fund	<u>\$ 58,533</u>	<u>\$ (59,837)</u>	<u>\$ 65,265</u>	<u>\$ 11,112</u>

**Source: Comprehensive Annual Financial Report**

**COMPASS ACADEMY CHARTER SCHOOL**  
 Changes in Fund Balances - Governmental Funds  
 Last Four Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

	2017	2016	2015	2014
<b>Revenues:</b>				
Local Sources:	\$ 328,825	\$ 288,960	245,814	174,540
Intermediate Sources	-	-	-	-
State Sources	1,564,507	1,317,614	1,109,328	741,759
Federal Sources	92,417	186,614	177,973	193,525
Total Revenues	<u>1,985,749</u>	<u>1,793,188</u>	<u>1,533,115</u>	<u>1,109,824</u>
<b>Expenditures:</b>				
Instruction	917,319	1,169,442	919,388	721,852
Administration	590,405	385,253	352,358	204,963
Support Services	359,655	335,091	165,758	159,977
Capital Outlay		28,504	35,458	-
Total Expenditures	<u>1,867,379</u>	<u>1,918,290</u>	<u>1,472,962</u>	<u>1,086,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	118,370	(125,102)	60,153	23,032
<b>Other Financing Uses:</b>				
Transfers Out	-	-	(6,000)	(11,920)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(11,920)</u>
Net Change in Fund Balance	<u>\$ 118,370</u>	<u>\$ (125,102)</u>	<u>\$ 54,153</u>	<u>\$ 11,112</u>

**Source: Comprehensive Annual Financial Report**



**COMPASS ACADEMY CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
 Last Four Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

Fiscal Year Ending June 30,	Prior Year Refunds	Miscellaneous Revenue	Total
2017	\$ -	\$ 3,635	\$ 3,635
2016	52,258	2,094	54,352
2015	32,604	503	33,107
2014	-	25	25

**Source: Charter School records**

***OPERATING INFORMATION***

**COMPASS ACADEMY CHARTER SCHOOL**  
 Full-Time Equivalent Charter School Employees by Function  
 Last Four Fiscal Years

<u>Function</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	17	17	10	9
Administrative	2	2	2	2
Support Services	5	5	4	4
Food Service	-	-	-	-
Total	<u>24</u>	<u>24</u>	<u>16</u>	<u>15</u>

Source: Charter School's Records

**COMPASS ACADEMY CHARTER SCHOOL**  
 Operating Statistics  
 Last Nine Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2017	192	\$ 1,867,379	\$ 10,671	-1.19%	87.5	11:1	191.9	179.4	9.66%	93.49%
2016	175	1,889,786	10,799	8.18%	12	15:1	175	166.0	23.24%	94.86%
2015	144	1,437,504	9,983	-5.34%	10	14:1	142	133	36.54%	93.66%
2014	104	1,096,792	10,546	N/A	7	14:1	104	98	0.00%	94.23%

**COMPASS ACADEMY CHARTER SCHOOL**  
 School Building Information  
 Last Nine Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Charter School Building</u></b>				
<b><u>Elementary</u></b>				
Compass Academy Charter School				
Square Feet	12,000	12,000	12,000	12,000
Capacity (students)	228	228	159	159
Total Enrollment	192	175	144	104

Number of Schools at June 30, 2017  
 Primary/Intermediate/Middle = 1  
 High = 1

**Source: Charter School Facilities Office**

**COMPASS ACADEMY CHARTER SCHOOL**  
 Insurance Schedule  
 June 30, 2017

	<u>Coverage</u>	<u>Deductible</u>
<b>SCHOOL PACKAGE POLICY (1)</b>		
<i><b>Commercial Package</b></i>		
Blanket Business Personal Property	\$ 79,000	\$ 1,000
Bodily Injury & Property Damage	16,000,000	
Blanket Hardware & 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	
<i><b>WORKERS COMPENSATION (1)</b></i>		
Accident/Disease	2,000,000	
<i><b>SCHOOL DISTRICT LEGAL LIABILITY (1)</b></i>		
	16,000,000	10,000
<i><b>STUDENT ACCIDENT INSURANCE (2)</b></i>		
Maximum Benefit	1,000,000	
<i><b>CATASTROPHIC STUDENT ACCIDENT INSURANCE (3)</b></i>		
Maximum Benefit	5,000,000	
<i><b>SURETY BOND (4)</b></i>		
Business Administrator	125,000	

- (1) NJ 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**  
 Charter School Performance Framework Financial Indicators  
 Fiscal Ratios  
 Last Three Fiscal Years

	2015	2016	2017	Source
	Audit	Audit	Audit	
Cash	56,725	38,980	106,781	Audit: Exhibit A-1
<b>Current Assets (includes CASH)</b>	62,439	54,387	167,991	Audit: Exhibit A-1
Total Assets	119,164	93,367	167,991	Audit: Exhibit A-1
Current Liabilities	52,926	149,098	100,426	Audit: Exhibit A-1
Total Liabilities	101,069	220,755	541,623	Audit: Exhibit A-1
Net Assets	18,095	(127,388)	(1,212)	Audit: Exhibit A-1
Total Revenue	1,539,075	1,827,785	2,063,731	Audit: Exhibit A-2
Total Expenses	1,514,113	1,973,268	2,009,212	Audit: Exhibit A-2
Change in Net Assets	24,962	(145,483)	54,519	Audit: Exhibit A-2
Depreciation Expense	0	0	0	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	142,00	176,00	192,00	DOE Enrollment Reports
March, 30th Budgeted Enrollment	145	176	192	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2015	2016	2017	3 YR CUM	Source:
1a. Current Ratio	1.18	0.36	1.67	0.94	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	13.67	7.21	19.40	18.56	Cash/(Total Expenses/365)
1c. Enrollment Variance	98%	100%	100%	99.42%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A		Audit
<b>Sustainability Indicators</b>					
2a. Total Margin	2%	-8%	3%	-1%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.85	2.36	3.22	2.27	Total Liabilities/Total Assets
2c.** Cash Flow	25,327	(17,745)	67,801	75,383	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)
					Target
					> 1.1
					30-60
					>95%
					not in default
					positive
					<.9
					3 yr cum positive
					>1.10

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash; 2015 = 2015 Cash - 2014 Cash

Refer questions to [charterfinance@doe.state.nj.us](mailto:charterfinance@doe.state.nj.us)

***SINGLE AUDIT SECTION***



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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with 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 Compass Academy Charter School (Charter School), in the , State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated December 5, 2017.

***Internal Control over Financial Reporting***

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

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

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


***Compliance and Other Matters***

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

***Purpose of this Report***

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

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
December 5, 2017

**BARRE & COMPANY LLC**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH NEW JERSEY CIRCULAR 15-08**

The Honorable President and  
Members of the Board of Trustees  
Compass Academy Charter School

Vineland, New Jersey

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

We have audited the Compass Academy Charter School's (Charter School) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the New Jersey Circular 15-08-OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017. The Charter School's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Circular 15-08-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types

of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Compass Academy Charter School, in the , 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 federal and state programs for the year ended June 30, 2017.

### ***Report on Internal Control over Compliance***

Management of the Compass Academy 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 our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.


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

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

***Purpose of this Report***

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

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
December 5, 2017

**COMPASS ACADEMY CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2016	Compass/ (Walker) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2017 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education</b>														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84.010A	S010A150030	NCLB - -17	\$ 67,796	7/1/16	6/30/17	\$ -	\$ 63,000	\$ (63,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Individuals with Disabilities Cluster:														
IDE A, Part B Basic:	84.027	H027A150100	IDEA - -17	29,417	7/1/16	6/30/17	-	29,417	(29,417)	-	-	-	-	-
Total Individuals with Disabilities Cluster														
Total Special Revenue Fund														
								92,417	(92,417)					
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Agriculture</b>														
Enterprise Fund:														
School Breakfast Program	10.553	171NJ304N1089	N/A	14,859	7/1/16	6/30/17		14,133	(14,859)			(726)		
School Breakfast Program	10.553	171NJ304N1089	N/A	12,753	7/1/15	6/30/16	(2,571)	2,571						
National School Lunch Program	10.555	171NJ304N1089	N/A	43,588	7/1/16	6/30/17		41,276	(43,588)			(2,312)		
National School Lunch Program	10.555	171NJ304N1089	N/A	28,632	7/1/15	6/30/16	(6,925)	6,925						
Total Enterprise Fund								64,905	(58,447)			(3,038)		
Total Federal Financial Awards								157,322	(150,864)			(3,038)		

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, 2017

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016			Balance at June 30, 2017			MEMO						
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance		(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
<b>State Department of Education</b>																	
<b>General Fund</b>																	
State Aid-Public Cluster																	
Equalization Aid	17-495-034-5120-071	\$ 1,278,840	7/1/16	6/30/17	\$ -	\$ -	\$ -	\$ 1,275,339	\$ (1,278,840)	\$ -	\$ -	\$ (3,501)	\$ -	\$ -	\$ 3,501	\$ 1,279,840	
Special Education	16-495-034-5120-071	1,119,482	7/1/16	6/30/16	(10,415)			10,415	(32,246)							32,246	
Security Aid	17-495-034-5120-089	32,246	7/1/16	6/30/17				32,246	(46,094)							46,094	
Security Aid	17-495-034-5120-084	46,094	7/1/16	6/30/17	(141)			46,094									
Security Aid	16-495-034-5120-084	38,394	7/1/15	6/30/16	(10,356)			1,364,235	(1,357,600)			(3,501)				1,357,180	
Total State Aid-Public Cluster																	
Nonpublic Aid	17-100-034-5095-042	44,561	7/1/16	6/30/17				44,561	(44,561)							44,561	
TPAF Post-Retirement Medical Contributions	17-495-034-5095-001	49,402	7/1/16	6/30/17				49,402	(49,402)							49,402	
TPAF Long-Term Disability Aid	17-495-034-5095-001	554	7/1/16	6/30/17				554	(554)							554	
On-Behalf TPAF Pension Contributions	17-495-034-5095-006	59,291	7/1/16	6/30/17				59,291	(59,291)							59,291	
Reimbursed TPAF - Social Security	17-495-034-5095-002	53,519	7/1/16	6/30/17	(5,134)			47,633	(53,519)			(5,886)			5,886	53,519	
Reimbursed TPAF - Social Security	16-495-034-5095-002	53,626	7/1/15	6/30/16				5,134									
Total General Fund					(15,690)			1,570,810	(1,564,507)			(9,387)			9,387	1,519,946	
<b>State Department of Agriculture</b>																	
<b>Enterprise Fund:</b>																	
National School Lunch Program (State Share)	17-100-010-3350-023	966	7/1/16	6/30/17	(160)			917	(966)			(49)			49	966	
National School Lunch Program (State Share)	16-100-010-3350-023	710	7/1/15	6/30/16				160									
Total Enterprise Fund					(160)			1,077	(966)			(49)			49	966	
Total All Funds					(15,850)			1,571,887	(1,565,473)			(9,436)			9,436	1,520,912	
State Financial Assistance Not Subject to Major Program Determination:																	
<b>General Funds:</b>																	
TPAF Post-Retirement Medical Contributions	17-495-034-5095-001	49,402	7/1/16	6/30/17				49,402	(49,402)								49,402
TPAF Long-Term Disability Aid	17-495-034-5095-001	554	7/1/16	6/30/17				554	(554)							554	
On-Behalf TPAF Pension Contributions	17-495-034-5095-006	59,291	7/1/16	6/30/17				59,291	(59,291)							59,291	
Total State Financial Assistance Subject to Single Audit					(15,850)			1,462,640	(1,456,226)			(9,436)			9,436	1,411,665	

**COMPASS ACADEMY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2017

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 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.

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

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.



**COMPASS ACADEMY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2017

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the 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 revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ -	\$ 1,564,507	\$ 1,564,507
Special Revenue Fund	92,417	-	92,417
Food Service Fund	58,447	966	59,413
Total Awards & Financial Assistance	<u>\$ 150,864</u>	<u>\$ 1,565,473</u>	<u>\$ 1,716,337</u>

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

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

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

Compass Academy Charter School has no loan balances outstanding at June 30, 2017.

**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

**COMPASS ACADEMY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2017

**NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

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

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 62,999
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	_____
Total	<u><u>\$ 62,999</u></u>

**COMPASS ACADEMY CHARTER SCHOOL**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2017

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u>  X  </u> No

**State Awards**

Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08-OMB, as applicable?	_____ Yes	<u>  X  </u> No
Identification of major state programs:		

GMIS Number(s)	Name of State Program
_____	STATE AID – PUBLIC CLUSTER
_____	EQUALIZATION AID
_____	SPECIAL EDUCATION AID
_____	SECURITY AID

**COMPASS ACADEMY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

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***Section II –Financial Statement Findings***

The section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

***Section III –Federal and State Financial Assistance  
Findings and Questioned Costs***

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

No Current Year Findings

**COMPASS ACADEMY CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs As Prepared by Management  
For the Fiscal Year Ended June 30, 2017

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**STATUS OF PRIOR-YEAR FINDINGS**

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

No Prior Year Findings