

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
OF NEW JERSEY
FOR THE FISCAL PERIOD ENDED JUNE 30, 2017**

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JUNE 30, 2017
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December 2, 2017

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the Philip's Academy Charter School of Paterson for the fiscal period 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 school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES** The Philip's Academy Charter School of Paterson constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

Philip's Academy Charter School of Paterson commenced the 2016/2017 school year with 60 Kindergarten students.

- 2) **ENROLLMENT OUTLOOK:** Philip's Academy Charter School of Paterson constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.
- 3) **MAJOR ACCOMPLISHMENTS** We successfully launched our school with 60 kindergarten students. In addition, the state approved the expansion of our class size to 75 starting in 2017/2018. We held monthly parent organization meetings and quarterly family events that were highly attended. We retained 100% of our teachers from year 1 to year 2. Our students performed at our ribbon cutting in September, our Winter Concert in December and at graduation in June. In addition, we successful implemented EcoSpaces Education with indoor grow boxes and the Charlie Cart which is a mobile teaching kitchen
- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived: and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the school also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the school management.

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

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the school maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the school and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal period is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2017.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1.
- 7) **FINANCIAL INFORMATION AT FISCAL PERIOD–END:** As demonstrated by the various statements and schedules included in the financial section of report, the school has met its responsibility for sound financial management. The following schedule presents a summary of the General Fund and Special Revenue Fund for the fiscal period ended June 30, 2017.

Revenue	Amount	Percent of Total
Local and State Aid	\$634,622	40%
Special Revenue	276,821	17%
State Sources	71,798	6%
Misc.	599,053	37%
Total	\$1,582,294	100%

The following schedule presents a summary of the General Fund and Special Revenue Fund expenditures for the fiscal period ended June 30, 2017.

Expenditures	Amount	Percent of Total
Current - General Fund	\$1,066,939	69%
Special Revenue	458,899	31%
Total	\$1,525,838	100%

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large part by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by an Independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Gerald D. Longo, CPA was selected by the Charter School.

In addition to meeting the requirements set forth in the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*." Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

The auditor's report on the basic financial statements and specific required supplementary 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Regina Lauricella', is written over a horizontal line.

Regina Lauricella
Principal

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON

ROSTER OF TRUSTEES

JUNE 30, 2017

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Gigo H. Lee - Taylor, President, Voting	6/2017
Debra Anderson, Vice President, Voting	6/2017
Monique Baptiste, Voting	6/2017
Madelka Osiecki, Voting	6/2017
Barry Poskanzer, Voting	6/2018
Nelson Rodriguez, Voting	6/2018
Tammie A. Reid, Voting	6/2017
Regina Lauricella, Principal, Non-voting	
Migdalia Dale, School Business Administrator, Non-voting	

CONSULTANTS AND ADVISORS
June 30, 2017

AUDIT FIRM

Gerald D. Longo, CPA
62 Old Queens Blvd.
Manalapan, NJ 07726-3648

ATTORNEYS

Isabel Machado
Machado Law Group, LLC
136 Central Avenue, 2nd Fl
Clark, NJ 07066

OFFICIAL DEPOSITORY

Santander Bank
4261 Route 9 North
Howell, NJ 07731

FINANCIAL SECTION

GERALD D. LONGO
CERTIFIED PUBLIC ACCOUNTANT
62 OLD QUEENS BLVD.
MANALAPAN, NEW JERSEY 07726-3648

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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Philip's Academy Charter School of Paterson
County of Passaic
Paterson, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School of Paterson as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

The combining and individual fund financial statement information, and the schedules of expenditures of federal awards and state financial assistance required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are the responsibility of management and such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used

to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 2, 2017 on my consideration of the Philip's Academy Charter School of Paterson's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Philip's Academy Charter School of Paterson's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
December 2, 2017

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

This section of Philip's Academy Charter School of Paterson's annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal period that ended on June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-17 fiscal period include the following:

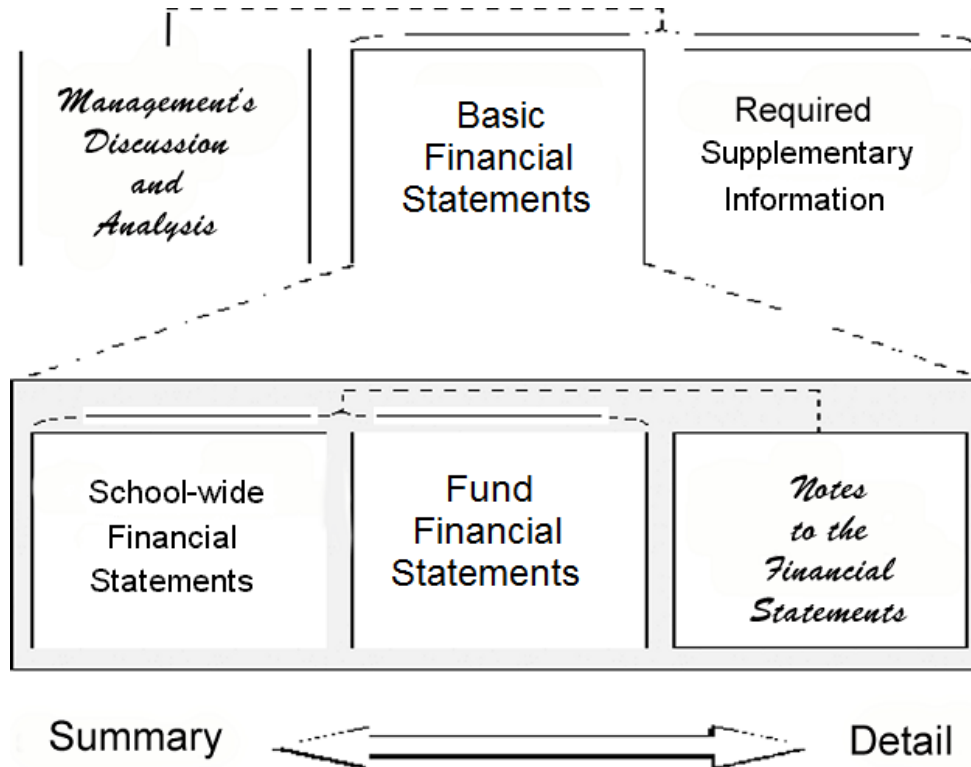
- Total Net Position was \$56,456.
- The unrestricted General Fund balance at June 30, 2017 is \$56,456.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Philip's Academy Charter School of Paterson.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Philip's Academy Charter School of Paterson's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Philip's Academy Charter School of Paterson, reporting the Philip's Academy Charter School of Paterson's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities. Philip's Academy Charter School of Paterson does not operate a food service.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Philip's Academy Charter School of Paterson's financial statements, including the portion of the Philip's Academy Charter School of Paterson's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the Philip's Academy Charter School Of Paterson that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Philip's Academy Charter School of Paterson operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenue expenditures and changes in fund balances	Statement of net position Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

School-wide Statements

The school-wide statements report information about the Philip’s Academy Charter School of Paterson as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Philip’s Academy Charter School of Paterson’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Philip’s Academy Charter School of Paterson’s net position and how they have changed. Net position – the difference between the Philip’s Academy Charter School of Paterson’s assets and liabilities – are one way to measure the Philip’s Academy Charter School of Paterson’s financial health or position.

In the school-wide financial statements, the Philip’s Academy Charter School of Paterson’s activities are shown in two categories:

- *Governmental activities*- Most of the Philip’s Academy Charter School of Paterson’s basic services are included here, such as regular and special education, transportation, administration, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- This is not applicable to Philip’s Academy Charter School of Paterson.

Fund Financial Statements

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

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

- Some funds are required by State law.

PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The Philip’s Academy Charter School of Paterson uses other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The Philip’s Academy Charter School of Paterson has three kinds of funds:

- **Governmental funds-** Most of the Philip’s Academy Charter School of Paterson’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Philip’s Academy Charter School of Paterson’s programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Philip’s Academy Charter School of Paterson charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The Philip’s Academy Charter School of Paterson is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The Philip’s Academy Charter School of Paterson is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Philip’s Academy Charter School of Paterson’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. I exclude these activities from the Philip’s Academy Charter School of Paterson’s government-wide financial statements because the Philip’s Academy Charter School of Paterson cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE PHILIPS ACADEMY CHARTER SCHOOL AS A WHOLE

Net position. The Philip’s Academy Charter School of Paterson’s net position is \$56,456 as of June 30, 2017. (See Table A-1).

Governmental	<u>\$56,456</u>
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PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The Philip's Academy Charter School of Paterson's financial position is the product of these factors:

- Special Revenue Fund - Federal Aid Revenues were \$276,821
- Special Revenue Fund - Federal Aid Expenditures were \$276,821
- General Fund Revenues were \$1,123,395.
- General Fund Expenditures were \$1,066,939.

Table A-1
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Position (Deficit)
As of June 30, 2017

	<u>Total</u>
Current and Other Assets	\$372,185
Capital Assets (Including Business Activities)	0
Total Assets	<u>\$372,185</u>
Current Liabilities	315,729
Other Liabilities	0
Total Liabilities	<u>315,729</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	0
Restricted	0
Unrestricted	56,456
Total Net Position (Deficit)	<u><u>\$56,456</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$56,456 as of June 30, 2017.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table A-2
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2017

Revenues	<u>Total</u>	<u>Percent</u>
Program revenues		
Charges for services		
Operating grants and contributions		
General revenues		
Local Share	\$ 634,622	40%
State Aid-Unrestricted	0	
Federal Aid	276,821	17%
Federal and State Aid-Restricted	71,798	5%
Other	599,053	38%
Total revenues	<u>\$ 1,582,294</u>	<u>100%</u>
Expenses		
Regular Instruction	794,750	55%
General Administrative	438,215	25%
School Administrative	258,851	19%
On-behalf TPAF Social Security	34,022	1%
Capital Outlay	--	--
	<u>\$ 1,525,838</u>	<u>100%</u>
(Increase) in net position	56,456	
Initial Year	-	
FundBalance 06/30/2017	<u>\$ 56,456</u>	
Net Pension Adjustment -Exhibit B-1	0	
Net Position 06/30/2017	<u><u>56,456</u></u>	

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table A-3 (See Exhibit A-2)
PPHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 794,750	\$ 843,438
Support Services			
General Administrative Services	B-2	438,215	389,438
School Administrative Services	B-2	258,851	258,851
On-behalf TPAF Social Security	B-2	34,022	34,022
Capital Outlay	B-2	-	-
Enterprise Fund	B-2	-	-
Total Governmental Activities		<u>\$ 1,525,838</u>	<u>\$ 1,525,749</u>

FINANCIAL ANALYSIS OF THE PHILIP'S ACADEMY CHARTER SCHOOL FUNDS

The financial performance of the Philip's Academy Charter School of Paterson as a whole is reflected in its governmental activities Exhibit A-2. As the Philip's Academy Charter School of Paterson completed the year, its general funds reported a combined fund balance of \$56,456.

Revenues for the Philip's Academy Charter School of Paterson's governmental funds were \$1,582,294 while total expenses were \$1,525,838. (Table A-4) (Exhibit B-2)

GENERAL FUND

The General Fund includes the primary operations of the Philip's Academy Charter School of Paterson in providing educational services to students for Kindergarten only.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The following schedule presents a summary of Government Revenues.

Table A-4 (See Exhibit B-2)
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Changes in Governmental Revenues - School Wide
For the Fiscal Year Ended June 30

General Fund Revenues	Year Ended 06/30/2017
Local Sources:	
Local Share	\$ 634,622
State Share	-
Misc Revenue	599,053
Total Local Revenue	\$ 1,233,675
Intergovernmental	
State Sources	71,798
Federal Sources	276,821
Total Intergovernmental Sources	\$ 348,619
Total Revenue	\$ 1,582,294

The following schedule presents a summary of Governmental expenditures.

Table A-5 (See Exhibit B-2)
PHILIPS ACADEMY CHARTER SCHOOL OF PATE
Changes in Governmental Expenditures - School W
For the Fiscal Year Ended June 30

General Fund Expenditures	Year Ended 06/30/2017
Current:	
Regular Instruction	\$ 794,750
General Administrative Services	438,215
School Administration	258,851
On-behalf TPAF Social Security	34,022
Capital outlay	
Total Expenditures	\$ 1,525,838

PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

Table A-6
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30

General Fund	<u>2017</u>
Unreserved-Undesignated	
Fund Balance	56,456
Expenditures	1,525,838
Percentage	3.0%

The Philip’s Academy Charter School of Paterson values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during the school year. The fund balance designated to support the subsequent years budget is \$56,456 for the 2017-18 school year.

FACTORS BEARING ON THE SCHOOL’S FUTURE

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

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

CONTACTING THE PHILIP’S ACADEMY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Philip’s Academy Charter School of Paterson’s finances and to demonstrate the Philip’s Academy Charter School of Paterson’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Philip’s Academy Charter School of Paterson, 342 Central Avenue, Newark, NJ 07103

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Philip's Academy Charter School of Paterson's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2017.

SCHOOL-WIDE FINANCIAL STATEMENTS

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Position
As of June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 72,519	-	\$ 72,519
Receivables, net	299,666	-	299,666
Capital assets, net	-	-	-
Total Assets	<u>372,185</u>	<u>-</u>	<u>372,185</u>
Deferred outflows of resources			
Pension deferred outflows	-	-	-
Total assets and deferred outflows of resources	<u>\$ 372,185</u>	<u>\$ -</u>	<u>\$ 372,185</u>
LIABILITIES			
Accounts payable	224,353	-	224,353
Payable to school districts	-	-	-
Payable to federal government	-	-	-
Payable to state government	-	-	-
Deferred revenue	91,376	-	91,376
Net pension liability	-	-	-
Total liabilities	<u>315,729</u>	<u>-</u>	<u>315,729</u>
Deferred inflows of resources			
Pension deferred inflows	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Debt service	-	-	-
Capital reserve	-	-	-
Unrestricted	56,456	-	56,456
Total net position	<u>\$ 56,456</u>	<u>\$ -</u>	<u>\$ 56,456</u>
Fund Balance June 30, 2017 - B-1	\$ 56,456		
Cost of capital assets net accumulated depreciation	<u>0</u>		
Net position before pension adjustments	56,456		
Less pension adjustments net	<u>0</u>		
Total net position - June 30, 2017	<u>\$56,456</u>		

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ (794,750)		\$ (400,628)		\$ (394,122)	\$ (394,122)
Support services:						
General administratration	(438,215)		(58,271)	(379,944)		(379,944)
School administrative services/ operations plant serv.	(258,851)			(258,851)		(258,851)
On - behalf TPAF Social Security	(362,956)			(34,022)		(34,022)
Capital Outlay	-			-		-
Total governmental activities	<u>(1,854,772)</u>		<u>(458,899)</u>	<u>(1,066,939)</u>		<u>(1,066,939)</u>
Business-type activities:						
Food Service		-			-	-
Total business-type activities		<u>-</u>			<u>-</u>	<u>-</u>
Total primary government	<u>\$ (1,854,772)</u>	<u>\$ 0</u>	<u>\$ (458,899)</u>	<u>\$ (1,066,939)</u>	<u>\$ -</u>	<u>\$ (1,066,939)</u>
General revenues:						
				634,622		634,622
				0	-	0
				71,798	-	71,798
				416,975	-	416,975
					-	
				--		0
Total general revenues, special items, extraordinary				<u>1,123,395</u>	<u>-</u>	<u>1,123,395</u>
Change in Net Position				56,456	0	56,456
Net Pension Adjustment Exhibit B-1				0		0
Net Position - Initial Year				0	0	0
Net Position - June 30, 2017				<u>\$ 56,456</u>	<u>\$ -</u>	<u>\$ 56,456</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Balance Sheet
Governmental Funds
As of June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 118,851	\$ (46,332)	72,519
Receivables, net	81,655	218,011	299,666
Total assets	\$ 200,506	\$ 171,679	\$ 372,185
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	144,050	80,303	224,353
Payable to federal government		-	0
Payable to School Districts	-		0
Payable to state government	-		0
Deferred revenue		91,376	91,376
Total liabilities	144,050	171,679	315,729
Fund Balances:			
Reserved for:			
Encumbrances			
Legally restricted -- unexpended additional spending proposal			
Legally restricted -- designated for subsequent year's expenditures			
Capital reserve	-		
Excess surplus	-		
Excess surplus -- designated for Subsequent year's expenditures			
Unreserved, reported in:			
General fund	56,456		56,456
Total Fund balances	56,456	-	56,456
Total liabilities and fund balances	\$ 200,506	\$ 171,679	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation	-	
	-	
Net position of governmental activities		\$56,456

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 5)

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 5)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5)

Net position of governmental activities - June 30, 2017	\$ 56,456
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The accompanying Notes to the Basic Financial Statements are an integral part of this document.

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Local Share	\$ 634,622		\$ 634,622
State Share	-		-
Other Restricted Miscellaneous Revenues			
Miscellaneous	416,975	182,078	599,053
Total - Local Sources	<u>1,051,597</u>		<u>1,051,597</u>
State Sources	71,798	-	71,798
Federal Sources		276,821	276,821
Total Revenues	<u>1,123,395</u>	<u>458,899</u>	<u>1,582,294</u>
EXPENDITURES			
Current:			
Regular instruction	\$ 394,122	\$ 400,628	\$ 794,750
Support services- General Administrative	379,944	58,271	438,215
Support Services- School Admin/ operations plant se	258,851		258,851
On-behalf TPAF Social Security	34,022		34,022
Capital outlay	-		-
Total Expenditures	<u>1,066,939</u>	<u>458,899</u>	<u>1,525,838</u>
Excess (Deficiency) of revenues over expenditures	<u>56,456</u>		<u>56,456</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	-		-
Total other financing sources and uses	<u>* -</u>		<u>-</u>
Net change in fund balances	56,456		56,456
Fund balance - July 1, 2017	-		-
Fund balance - June 30, 2016	<u>\$ 56,456</u>		<u>\$ 56,456</u>

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
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 funds (from B-2) \$ 56,456

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period. (Note 2)

Depreciation expense	\$	-	
Capital outlays		-	
		-	\$ -

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

Change in net position of governmental activities \$ 56,456

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

PROPRIETARY FUNDS

EXHIBIT B-4

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Assets
Proprietary Funds
As of June 30, 2017**

NOT APPLICABLE

Exhibit B-5

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017**

NOT APPLICABLE

EXHIBIT B-6

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

FIDUCIARY FUNDS

Exhibit B-7

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2017**

NOT APPLICABLE

Exhibit B-8

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

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Philip’s Academy Charter School of Paterson (the “Charter School”) was incorporated in the State of New Jersey as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

The Philip’s Academy Charter School of Paterson Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Its mission is to establish a Charter School to serve as a neighborhood resource and as a model for other similar schools. The Philip’s Academy Charter School of Paterson is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Philip’s Academy Charter School of Paterson is presented to assist in understanding the Charter School’s financial statements and footnotes are a representation of the Charter School’s management, who is responsible for their integrity and objectivity.

PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Philip’s Academy Charter School of Paterson (the “Charter School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity.

The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight which to responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the school over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School is not includable in any other reporting entity on the basis of such criteria.

A Basis of Presentation

The Charter School’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Charter School Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2017 there was no Capital Projects Fund.

Proprietary Funds

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. ***Basis of accounting*** refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total position) is classified as net position.

Basis of Accounting

In the government wide statement of net position and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i. e the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determine and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

E Cash, Cash Equivalent and Investments

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

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

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

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

F Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

G Net Position/Fund Balance

School-Wide Statements

In the school-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 externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - any portion of net position not already classified as either net investment in capital assets or net position- restricted is classified as net position - unrestricted.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H Short-Term Interfund Receivables/Payables

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

I Inventories and Prepaid Expenses

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

J Capital Assets

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

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

The furniture and fixtures that the school utilizes presently is now part of the building lease. Philip's Academy does not have ownership of the furniture and fixtures; therefore, there presently are no capitalized assets to depreciate.

K Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources.

These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2017.

L Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

M Deferred Revenue

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

There is no deferred revenue in the General Fund and \$91,376 of Deferred Revenue in the Special Revenue Fund as follows:

PEP Grant	\$519
Title IA	6,720
IDEA	6,771
Implementation Grant	77,366
	<u>\$91,376</u>

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

O Management Estimates

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

P On-Behalf Payments

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q Net Position

A deferred outflow of resources is a consumption of net position by the Philip's Academy Charter School of Paterson that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Philip's Academy Charter School of Paterson that is applicable to a future reporting period. The Philip's Academy Charter School of Paterson did not have any deferred inflows or outflows of resources at June 30, 2017.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R New Accounting Standards

Prior to fiscal year 2017, the Charter School adopted the following GASB statements:

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

3. DEPOSITS AND INVESTMENTS

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

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

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

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

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2017, the Charter School's carrying amount of deposits and investments are as follows:

	General Fund	Special Revenue	Total
Operating A/C	\$118,851	(\$46,332)	\$72,319

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2017, the Charter School's bank balance was \$91,196.

Of the bank balance, \$91,196 of the Charter School's cash deposits on June 30, 2017 were secured by federal deposit insurance and \$0 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

3 DEPOSITS AND INVESTMENTS (continued)

Category 1

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

Category 2

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

Category 3

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

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

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2017, the Charter School did not hold any investments.

4. LEASE RELATED PARTY TRANSACTIONS

The school leases its premises under the terms of the renewable annual lease from Philip's Education Partners, Inc. a not for profit organization formed to support Philip's Academy Charter School. The rent expense for the current year was \$120,000. The rent covered the school premises. In the opinion of school management, this amount approximates fair market value for the rent charged.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

5 **PENISON PLANS**

Description of Plans - Substantially all of the employees of the School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:03B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

5 PENISON PLANS (continued)

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

Significant Legislation - Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes - Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

5 PENISON PLANS (continued)

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the School is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and Schools).

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the School.

PERS employer contributions are made annually by the School to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The School's contribution to PERS for the year ended June 30, 2017 was \$0.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue \$34,022 for the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also the State paid \$0 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

6 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$0 as measured on June 30, 2016.

For the year ended June 30, 2017, the Charter School recognized pension expense of \$0 and revenue of \$0 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2016</u>
Collective deferred outflows of resources	\$17,414,701,002
Collective deferred inflows of resources	\$134,532,594
Collective net pension liability (Nonemployer-State of New Jersey)	\$78,666,367,052
State's portion of the net pension liability that was associated with the Charter School	-0-%
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	-0-%

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (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 valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Salary Increases: 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 plan 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 Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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%
US Equity Market	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 - MultiStrategy	5.00%	3.70%
Heage Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate

The discount rate used to measure the State's total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. 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% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf16.pdf>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2017, the Charter School reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability 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 is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016. At June 30, 2016, the Charter School's proportion was 0%.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

For the year ended June 30, 2017, the Charter School recognized pension expense of \$0. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions	\$-0-	\$-0-
Net difference between projected and actual earnings on pension plan investments	-0-	-0-
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	-0-	-0-
Charter School contributions subsequent to the measurement date.	-0-	-0-
Total	\$-0-	\$-0-

\$0 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2017, the plan measurement date was June 30, 2016) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
Thereafter	\$0
Total:	\$0

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	6/30/16
Collective deferred outflows of resources	\$8,685,338,380
Collective deferred inflows of resources	\$870,133,595
Collective net pension liability (Non State- Local Group)	\$0
Charter schools proportion of net pension liability	0
Charter School proportion percentage	0%

Actuarial Assumptions

The collective 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. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases:	
2012-2026	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 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. 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 Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members 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. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Expected Rate of Return

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, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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.

In accordance with State statute, the long-term expected rate of return on plan 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 Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	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	50.00%	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.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution 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 plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034.

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

The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2016 calculated using the discount rate of 3.98%, 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:

	2016		
	1% Decrease	Current Discount Rate	1% Increase
	(3.9%)	(4.9%)	(5.9%)
Charter School's proportionate share of the net pension liability	\$-0-	\$-0-	\$-0-

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>

7. POST RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

7. POST RETIREMENT BENEFITS (continued)

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 prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

8. COMPENSATED ABSENCES

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy.

Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2017, Charter School-wide compensated absences amounted to \$-0-.

9. ECONOMIC DEPENDENCY

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

10. CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

10. CONTINGENT LIABILITIES (continued)

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School's financial position.

11. RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation - The Charter School has not elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School would be required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. Under that method, the Charter School is billed quarterly for amounts due to the State.

12. RECEIVABLES

Receivables as of 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 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receivables:			
Accounts	<u>\$81,655</u>	<u>\$218,011</u>	<u>\$299,666</u>
Gross Receivables	<u>\$81,655</u>	<u>\$218,011</u>	<u>\$299,666</u>

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

13 CAPITAL ASSETS

The school has no Capital Assets recorded; such as furniture, fixtures and equipment.

14. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring in the Independent Auditors Report of December 2, 2017, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

15. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds.

The reconciliation is as follows:

Fund balance per B-1	\$56,456
Cost of capital assets net accumulated depreciation	-0-
Pension deferred outflows	-0-
Pension deferred inflows	-0-
Deferred pension liability as of June 30, 2017	-0-
Net position (per A-1) as of June 30, 2017	\$56,456

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 632,190	\$ 2,432	\$ 634,622	\$ 634,622	\$ -
State Share	413,269	11,612	424,881	-	424,881
Other Miscellaneous Revenues				415,050	(415,050)
Miscellaneous	-	-	0	1,925	(1,925)
Total - Local Sources	<u>1,045,459</u>	<u>14,044</u>	<u>1,059,503</u>	<u>1,051,597</u>	<u>7,906</u>
Nonpublic Aid	-	-	-	-	-
Special Education	32,056	(20,095)	11,961	11,961	-
Security Aid	19,764	6,051	25,815	25,815	-
Categorical Aid	-	-	-	-	-
Targeted At- Risk Aid	-	-	-	-	-
Bilingual Education	-	-	-	-	-
Demonstrably Effective	-	-	-	-	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	-	-
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	34,022	(34,022)
Total State Sources	<u>51,820</u>	<u>(14,044)</u>	<u>37,776</u>	<u>71,798</u>	<u>(34,022)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>1,097,279</u>	<u>-</u>	<u>1,097,279</u>	<u>1,123,395</u>	<u>(26,116)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	443,500	(59,100)	384,400	380,516	\$ 3,884
Other Salaries	25,000	(13,467)	11,533	11,533	-
Prof/Tech Services	-	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	15,360	(14,738)	622	615	7
Textbooks	4,050	(4,050)	-	-	-
Other Objects	500	958	1,458	1,458	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>488,410</u>	<u>(90,397)</u>	<u>398,013</u>	<u>394,122</u>	<u>3,891</u>

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	138,500	23,115	161,615	158,377	3,238
Salaries of Secretarial and Clerical Assistants	-	11,406	11,406	11,406	-
Cost of Benefits	88,289	(4,850)	83,439	52,738	30,701
Consultants	21,445	65,559	87,004	84,997	2,007
Other Purchased Services (400-500 series)	62,805	2,017	64,822	64,321	501
Communications/Telephone	9,000	(3,045)	5,955	5,398	557
Supplies and Materials	3,000	(1,099)	1,901	1,291	610
Other Objects	5,540	5,432	10,972	1,416	9,556
	<u>328,579</u>	<u>98,535</u>	<u>427,114</u>	<u>379,944</u>	<u>47,170</u>
Support Services - School Admin/Operation Plant Services					
Salaries	62,500	(10,833)	51,667	50,600	1,067
Purchased Professional and Technical Services	38,600	34,079	72,679	69,255	3,424
Other Purchased Services	-	-	-	-	-
Rental of Land and Building- other than Lease Purchase Agreements	120,000	-	120,000	120,000	-
Insurance	37,740	(13,322)	24,418	15,794	8,624
General Supplies	1,000	-	1,000	814	186
Transportation- Trips	1,200	1,188	2,388	2,388	-
Energy (Energy and Electricity)	19,250	(19,250)	-	-	-
Other Objects	-	-	-	-	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>280,290</u>	<u>(8,138)</u>	<u>272,152</u>	<u>258,851</u>	<u>13,301</u>
Food Service and After Care Program					
Other Purchased Services	-	-	-	-	-
Total Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On-behalf TPAF pension and medical contributions (non-budgeted)				-	-
Reimbursed TPAF Social Security Contributions (non-budgeted)				34,022	(34,022)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,022</u>	<u>(34,022)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	608,869	90,397	699,266	672,817	26,449
TOTAL GENERAL CURRENT EXPENSE	<u>1,097,279</u>	<u>-</u>	<u>1,097,279</u>	<u>1,066,939</u>	<u>30,340</u>

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	-	-	-	-	-
Interest Expense- Mortgages	-	-	-	-	-
Building Improvements	-	-	-	-	-
Lease paymernts	-	-	-	-	-
Total Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES- GENERAL FUND	1,097,279	-	1,097,279	1,066,939	30,340
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>--</u>	<u>-</u>	<u>56,456</u>	<u>(56,456)</u>
Other Financing Sources:					
Operating Transfer In:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,456</u>	<u>(56,456)</u>
Fund Balance, July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2017	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,456</u></u>	<u><u>\$ (56,456)</u></u>

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 182,078		\$ 182,078	\$ 182,078	
State Sources	-		-	-	
Federal Sources	276,821		276,821	276,821	
Total Revenues	<u>458,899</u>		<u>458,899</u>	<u>458,899</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	62,375		62,375	62,375	
Other Salaries for Instruction					
Purchased Professional -Educational Services	146,765		146,765	146,765	
Purchased Professional and Technical Services	-		-	-	
Food Service Subsidy	-		-	-	
Other Purchased Services (400-500 series)	3,225		3,225	3,225	
Textbooks	-		-	-	
General Supplies	172,893		172,893	172,893	
Personal Services- Employee Benefits	9,583		9,583	9,583	
Instructional services	-		-	-	
Equipment- Non instructional	-		-	-	
Miscellaneous Expenditures	5,787		5,787	5,787	
Total Instruction	<u>400,628</u>	<u>-</u>	<u>400,628</u>	<u>400,628</u>	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants	-		-	-	
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services					
Supplies	5,421		5,421	5,421	
Rent	52,850		52,850	52,850	
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
Total Support Services	<u>58,271</u>		<u>58,271</u>	<u>58,271</u>	

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	458,899		458,899	458,899	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$ ---		\$ ---	\$ ---	

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2017

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEAR ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2017</u>
Charter School Proportion of the net pension liability (asset)	N/A
Charter School Proportionate share of the net pension liability (asset)	N/A
Charter School Covered employee payroll	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEAR ENDED JUNE 30***

Public Employees' Retirement System (PERS)

2017

Contractually required contribution	N/A
Contributions in relation to the contractually required contribution	<u>N/A</u>
Contribution deficiency (excess)	N/A
Charter School Covered employee payroll	N/A
Contributions as a percentage of covered employee payroll	N/A

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

Exhibit L-3

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEAR ENDED JUNE 30**

Teachers' Pension and Annuity Fund (TPAF)

	<u>2017</u>
Charter School Proportion of the net pension liability (asset)**	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	<u>N/A</u>
Total	<u>N/A</u>
Charter School Covered employee payroll	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A

**NOTE: TPAF is a special funding situation as defined by GASB Statement No. 68 in 100% which the State of New Jersey is responsible for contributions to the plan. Since the charter school (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the charter school.

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Public Employees' Retirement System (PERS)

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

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

Teachers' Pension and Annuity Fund (TPAF)

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

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

SPECIAL REVENUE FUND

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	TOTAL	Title IA	IDEA PART B	IMPLEMENTATION GRANT	START- UP GRANT	START- UP PHILIPS EDUCATION PARTNERS
REVENUES						
Intergovernmental						
State		0				
Federal	\$ 276,821	\$ 26,460	\$ 3,225	\$ 97,469	\$ 149,667	\$ -
Other Sources						
Miscellaneous	182,078					182,078
Total Revenues	<u>458,899</u>	<u>26,460</u>	<u>3,225</u>	<u>97,469</u>	<u>149,667</u>	<u>182,078</u>
EXPENDITURES						
Instruction						
Salaries	62,375	21,000	-	-	39,375	2,000
Other Purchased Services	3,225	-	3,225	-	-	-
Purchased Prof. and Tech. and Edu Services	146,765	-	-	9,390	43,065	94,310
General Supplies	172,893	-	-	82,658	9,470	80,765
Recruitment	-	-	-	-	-	-
Personal Services - Employee Benefits	9,583	5,460	-	-	4,123	-
Food Service Subsidy	-	-	-	-	-	-
Textbooks	-	-	-	-	-	-
Instructional Equipment	-	-	-	-	-	-
Equipment Non- Instructional	-	-	-	-	-	-
Miscellaneous Expenditures	5,787	-	-	-	784	5,003
Total Instruction	<u>400,628</u>	<u>26,460</u>	<u>3,225</u>	<u>92,048</u>	<u>96,817</u>	<u>182,078</u>
Support Services						
Salaries of Supervisors of Instruction	-	-	-	-	-	-
Salaries of Program Directors	-	-	-	-	-	-
Salaries of Other Prof. Staff	-	-	-	-	-	-
Salaries of Secretarial and Clerical Ass't	-	-	-	-	-	-
Personal Services - Employee Benefits	-	-	-	-	-	-
Supplies and Materials	5,421	-	-	5,421	-	-
Rent	52,850	-	-	-	52,850	-
Purchased Professional/Educational Services	-	-	-	-	-	-
Class- room Improvements	-	-	-	-	-	-
Building Improvements	-	-	-	-	-	-
Non instructional Equipment	-	-	-	-	-	-
Total Support Services	<u>58,271</u>	<u>-</u>	<u>-</u>	<u>5,421</u>	<u>52,850</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 458,899</u>	<u>\$ 26,460</u>	<u>\$ 3,225</u>	<u>\$ 97,469</u>	<u>\$ 149,667</u>	<u>\$ 182,078</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Assets
Proprietary Funds
As of June 30, 2017**

NOT APPLICABLE

Exhibit G-2

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year June 30, 2017**

NOT APPLICABLE

Exhibit G-3

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

FIDUCIARY FUNDS

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2017

	<u>Student Activity Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$0	\$0	\$0
Total Assets	\$0	\$0	\$0
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll deductions and withholdings		0	0
Interfund payables			
Account payable - due to students group			0
Total Liabilities	0	0	0
Net Position			
Total Liabilities and Net Position	\$0	\$0	\$0

Exhibit H-2

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2017**

NOT APPLICABLE

Exhibit H-3

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

NOT APPLICABLE

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	(Initial Year) Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
ASSETS				
Cash and Cash Equivalents		\$907,333	\$907,333	
Total Liabilities		907,333	907,333	
LIABILITIES				
Payroll Deductions and Withholdings		403,222	403,222	
Accrued Salaries and Wages		504,111	504,111	
Total Liabilities		\$907,333	\$907,333	

Exhibit H-5

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

NOT APPLICABLE

STATISTICAL SECTION

This part of the Philip’s Academy Charter School of Paterson comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the school’s overall financial health.

Contents

Exhibits

Financial Trends

J- 1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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

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

FINANCIAL TRENDS

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
NET POSITION BY COMPONENT
FOR THE FISCAL YEAR ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	2017
Governmental activities	
Invested in capital assets, net of related debt	\$ -
Restricted	
Unrestricted	56,456
Total governmental activities net position	\$ 56,456
Business-type activities	
Invested in capital assets, net of related debt	
Restricted	-
Unrestricted	-
Total business-type activities net position	\$ -
School-wide	
Invested in capital assets, net of related debt	-
Restricted	-
Unrestricted	56,456
Total school net position	\$ 56,456

Source: School Financial Statements

Exhibit J-2

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2017</u>
Expenses	
Governmental activities	
Instruction	
Regular	794,750
Support Services:	
General administration	438,215
School Administrative Services	258,851
On-behalf TPAF Social Security	34,022
Capital outlay	--
Unallocated depreciation	--
Total governmental activities expenses	<u>1,525,838</u>
Business-type activities:	
Food service	
Total business-type activities expense	<u>0</u>
Total school expenses	<u>\$1,525,838</u>
Program Revenues	
Governmental activities:	
Operating grants and contributions	\$458,899
Capital grants and contributions	
Total governmental activities program revenues	<u>458,899</u>
Business-type activities:	
Charges for services	
Food service	
Operating grants and contributions	0
Capital grants and contributions	
Total business type activities program revenues	<u>0</u>
Total school program revenues	<u>\$458,899</u>
Net (Expense)/Revenue	
Governmental activities	(\$1,066,939)
Business-type activities	0
Total school-wide net expense	<u>(\$1,066,939)</u>
Governmental activities:	
Local share	\$634,622
State Share	0
State and Federal Aid aid	71,798
Miscellaneous income	416,975
Decrease in Net Capital Outlay	--
Transfers	
Total governmental activities	<u>\$1,123,395</u>
Business-type activities:	
Investment earnings	
Transfers	0
Total business-type activities	<u>0</u>
Total school-wide	<u>\$1,123,395</u>
Change in Net Position	
Governmental activities	\$56,456
Business-type activities	0
Total school	<u>\$56,456</u>

Source: School Financial Statements

Exhibit J-3

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

2017

General Fund	
Reserved	\$ 56,456
Unreserved	
Total General Fund	<u>\$ 56,456</u>
All Other Governmental Funds	
Reserved	
Unreserved, reported in:	
Special revenue fund	
Capital projects fund	
Debt service fund	
Permanent fund	
Total all other governmental funds	<u> </u>

Source: School Financial Statements

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30
(UNAUDITED)**

	<u>2017</u>
Revenues	
Local tax Levy	\$634,622
Other local revenue	599,053
State sources	71,798
Federal sources	276,821
Enterprise Fund	0
Total revenue	<u>1,582,294</u>
Expenditures	
Instruction	
Regular Instruction	794,750
Support Services:	
General administration	438,215
School administrative services/Plant	258,851
TPAF Social Security	34,022
Food Service	
Capital outlay	0
Debt service:	
Principal	
Interest and other charges	
Special Revenue	
Total expenditures	<u>1,525,838</u>
Excess (Deficiency) of revenues over (under) expenditures	
Other Financing sources (uses)	
Proceeds from borrowing	
Capital leases (non-budgeted)	
Proceeds from refunding	
Payments to escrow agent	
Transfers in	
Transfers out	
Total other financing sources (uses)	<u>0</u>
Net change in fund balance	<u><u>\$56,456</u></u>

Source: School Financial Statements

REVENUE CAPACITY

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
General Fund - Other Local Revenue By Source
For the Fiscal Year Ended June 30
(UNAUDITED)

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2017		415,050				1,925	416,975

Source: School records

Exhibit J-6

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

Exhibit J-7

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

Exhibit J-8

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

Exhibit J-10

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

Exhibit J-11

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

Exhibit J-12

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2017

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Principal Employers
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

Exhibit J-16

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Full-time Equivalent School Employees by Function/Program
For the Fiscal Year Ended June 30
(UNAUDITED)

<u>Function/Program</u>	<u>2017</u>
Instruction	
Regular	10
Special education	
Other special education	
Vocational	
Other instruction	
Nonpublic school programs	
Adult/continuing education programs	
Support Services:	
Student & instruction related services	3
General administration	1
School administrative services	1
Other administrative services	
Central services	
Administrative Information Technology	
Plant operations and maintenance	2
Pupil transportation	
Other support services	
Special Schools	
Food Service	
Child Care	
Total	<u><u>17</u></u>

Source: School Personnel Records

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Operating Statistics
For the Fiscal Year Ended June 30
(UNAUDITED)

Pupil/Teacher Ratio

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Elementary and Middle School</u>	<u>Senior High School</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2017	54	1,525,838	28,256	N/A	10	10	N/A	53.6	49.7	N/A	93.79%

Sources: School records

Exhibit J-18

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
School Building Information
For the Fiscal Year Ended June 30
(UNAUDITED)

	<u>2017</u>
<u>School Building</u>	
Main Campus	
Square Feet	12,500
Capacity (students)	
Enrollment	54
Second Campus	
Square Feet	
Capacity (students)	
Enrollment	
Number of Schools at June 30	
Elementary	1

Source: School Office

Exhibit J-19

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2017**

NOT APPLICABLE

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Insurance Schedule
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$250,000	\$1,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
EDP	40,000	1,000
Bodily Injury & Property Damage	11,000,000	-
Automobile	11,000,000	-
Crime Coverage		
Faithful Performance	50,000	500
Forgery & Alteration	50,000	1,000
Money & Securities	50,000	500
Money Orders & Counterfeit	50,000	500
Computer Fraud	50,000	1,000
Boiler & Machinery	100,000,000	
Environmental	1,000,000	25,000
School Leaders Errors & Omission		
Limit of Liability	1,000,000	5,000
Workers' Compensation		
Each Accident	2,000,000	-
Disease - Each Employee	2,000,000	
Disease - Policy Limit	2,000,000	
Bond		
Board Secretary	150,000	
Student Accident and Medical	150,000	1,000
Crisis Management		
Expenses	1,000,000	
Judgements, Settlements, Defense	1,000,000	
Death or Dismemberment	250,000	

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

Exhibit J-21

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30
(UNAUDITED)**

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

	<u>2017</u>
Cash	72,519
Current Assets	<u>372,185</u>
Capital Assets-Net	<u>0</u>
Total Assets	<u>372,185</u>
Current Liabilities	315,729
Long Term Liabilities	<u>0</u>
Total Liabilities	<u>315,729</u>
Net Position	<u><u>56,456</u></u>
Total Revenue	1,582,294
Total Expenses	<u>(1,525,838)</u>
Change in Net Position	<u><u>56,456</u></u>
Depreciation	0
Principal Payments	0
Interest payments	0
Final average daily enrollment	
March 30th budgeted Enrollment	
Near term indicators	<u>2017</u>
CURRENT RATIO	1.17
Unrestricted days cash	17.3
Enrollment variance	100%
Default	N/A

Exhibit J-22

PHILIP'S ACADEMY CHARTER SCHOOL
 FINANCIAL PERFORMANCE - FINANCIAL RATIOS
 FOR THE FISCAL YEAR ENDED JUNE 30
 (UNAUDITED)

Charter School Performance Framework Financial Indicators
 Sustainability Indicators

	<u>2017</u>
Cash	
Current Assets	72,519
Capital Assets-Net	372,185
Total Assets	<u>0</u>
	<u>372,185</u>
Current Liabilities	
Long Term Liabilities	315,729
Total Liabilities	<u>0</u>
	<u>315,729</u>
Net Position	
	<u>56,456</u>
Total Revenue	
Total Expenses	1,582,294
	<u>(1,525,838)</u>
Change in Net Position	
	<u>56,456</u>
Depreciation	
Principal Payments	0
Interest payments	0
	0
Final average daily enrollment	
March 30th budgeted Enrollment	
Sustainability Indicators	<u>2017</u>
Total margin	3.0%
Debt to Asset	0.00%
Cash Flow	72,519
Debt Service Coverage ratio	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
Philip's Academy Charter School of Paterson
County of Passaic
Paterson, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School of Paterson ("the Charter School"), in the County of Passaic, State of New Jersey, as of and for the 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 my report thereon, dated December 2, 2017.

Internal Control Over Financial Reporting

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

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

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

deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
December 2, 2017

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EXHIBIT K-2

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

The Honorable Chairman and
Members of the Board of Trustees
Philip's Academy Charter School of Paterson
County of Passaic
Paterson, New Jersey

Compliance

I have audited the Philip's Academy Charter School of Paterson, in the County of Passaic, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 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

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

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Department of the Treasury Circular Letter 15-08 *OMB Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, The Uniform Guidance and State of New Jersey Department of Treasury Circular 15-08-OMB require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In my opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state program for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Licensed Public School Accountant No. 20CS00206400

A handwritten signature in black ink, appearing to read "Gerald D. Longo". The signature is written in a cursive style with a large initial "G".

Gerald D. Longo
Certified Public Accountant
December 2, 2017

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal/Grantor <u>Program Title</u>	<u>FEDERAL</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Award</u> <u>Identification</u> <u>Number</u>	<u>Grant</u> <u>Period</u>	<u>Award</u> <u>Amount</u>	<u>Balance</u> <u>July 1,</u> <u>2016</u>	<u>Prior</u> <u>Carry</u> <u>over</u>	<u>Cash</u> <u>Received</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Refund</u> <u>of</u> <u>Prior</u> <u>Years'</u> <u>Balances</u>	<u>Adjustment</u>	<u>Deferred</u> <u>Revenue/</u> <u>(Accounts</u> <u>Receivable)</u> <u>June 30,</u> <u>2017</u>	<u>Due to</u> <u>Grantor</u> <u>at</u> <u>June 30,</u> <u>2017</u>
ENTERPRISE FUND												
NOT APPLICABLE												
Special Revenue												
U.S. Department of Agriculture												
Pass-Through Programs:												
Passed-Through New Jersey												
State Department of Education												
Title I PART A	84.010 A	SOIOA160030	07/01/16-06/30/17	156,315	0		69,133	26,460			42,673	
IDEA PART B	84.027	H027A160100	07/01/16-06/30/17	64,871	0		44,050	3,225			40,825	
IMPLEMNTATION GRANT	11.5490	S549A1600100	07/01/16-06/30/17	174,835	0		0	97,469			(97,469)	
START UP GRANT	84.282B	S282A160100	07/01/16-06/30/17	150,000	0		149,667	149,667			0	
Total Special Revenue					<u>\$0</u>		<u>\$113,183</u>	<u>\$276,821</u>			<u>\$83,498</u>	
Total US Dept. of Education, Pass Through Programs					<u>\$0</u>		<u>\$113,183</u>	<u>\$276,821</u>			<u>\$83,498</u>	

See accompanying notes to schedules of expenditures of Federal and State awards.

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2017

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2016</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2017</u>
NJ STATE DEPT. OF EDUCATION									
GENERAL FUND									
TPAF Social Security	17-495-034-5095-003	7/1/16-06/30/17	\$34,022		\$34,022	\$34,022			
Equalization Aid - Local	17-495-034-5120-078	7/1/16-06/30/17	634,622		634,622	634,622			
Special Education Aid	17-495-034-5120-089	7/1/16-06/30/17	11,961		11,961	11,961			
Security Aid	17-495-034-5120-084	7/1/16-06/30/17	25,815		25,815	25,815			
Total General Fund/Total State Dept. of Education				--	706,420	706,420			
NJ STATE DEPT. OF AGRICULTURE - DIRECT PROGRAMS									
ENTERPRISE FUND:									
NOT APPLICABLE									
Total State Financial Assistance subject to Single Audit				0	706,420	706,420			0
On Behalf Medical and Pension	17-495-034-5095-001/002	7/1/16-06/30/17			-	-			
Total State Financial Assistance					\$706,420	\$706,420			

See accompanying notes to schedules of expenditures of Federal and State Awards.

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the Philip's Academy Charter School of Paterson. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal assistance and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ -0-	\$706,420	\$706,420
Special Revenue Fund	276,821	-0-	276,821
Total Awards and Financial Assistance	<u>\$276,821</u>	<u>\$706,420</u>	<u>\$983,241</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2017. TPAF Social Security Contributions of \$34,022 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.

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

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

NOTE 7. DE MINIMIS INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Noncompliance material to financial statements noted?	X	

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	N/A	
Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A)?	X	

Identification of major programs:

<u>CDEFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
None	None	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$750,000
Auditee qualified as low risk auditee:		X

**PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (continued)

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000	
Auditee qualified as low risk auditee:	X	
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?		X None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X
Identification of major programs:		
<u>C DFA Number(s)</u>	<u>Name of State Program or Cluster</u>	
None	None	

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND
QUESTIONED COSTS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by The Uniform Guidance and New Jersey OMB's Circular 15-08.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of The Uniform Guidance or with NJOMB Circular 15-08.

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings as this was the initial year.