

***PACE CHARTER SCHOOL
OF HAMILTON***

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2017

PACE CHARTER SCHOOL

OF

HAMILTON

***Pace Charter School of Hamilton
Board of Trustees
Hamilton, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Prepared by

***Pace Charter School of Hamilton
Finance Department***

And

Barre & Company LLC, CPAs

STATE BOARD OF EDUCATION

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**PACE CHARTER SCHOOL OF HAMILTON
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INTRODUCTORY SECTION

***PACE CHARTER SCHOOL OF HAMILTON
1949 HAMILTON AVENUE
HAMILTON, NEW JERSEY 08619
609-587-2288***

November 10, 2017

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey 08619

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Pace Charter School of Hamilton (Charter School) for the fiscal year ended June 30, 2017. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Pace Charter School of Hamilton with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

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

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements,

Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An elected eight-member Board of Education (the "Board") serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

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

1. REPORTING ENTITY AND ITS SERVICES: Pace Charter School of Hamilton is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the Charter School are included in this report. Pace Charter School of Hamilton Board of Trustees constitutes the Charter School's reporting entity.

Pace Charter School of Hamilton provides a full range of services appropriate to Kindergarten–Grade 5. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2016-2017 school year with an enrollment of 245 students. The following details the student enrollment of the Charter School.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2016-2017	245	3.38%
2015-2016	237	9.72%
2014-2015	216	51.05%
2013-2014	149	27.68%

2. ECONOMIC CONDITION AND OUTLOOK: Hamilton continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Hamilton will continue to prosper.

3. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate

INTERNAL ACCOUNTING CONTROLS (Continued)

accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Board of Trustees also is responsible for ensuring that an adequate internal 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 Charter School's management.

As part of the Charter 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 Charter School has complied with applicable laws and regulations.

4. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

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

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

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

7. **OTHER INFORMATION:**

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, LLC Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirement set forth in State statutes, the annual audit was designed to meet the requirement of the Uniform Guidance and the New Jersey Circular Letter of 15-08 OMB, Single Audit for Recipients of Federal Grants, State Grants, and State Aid". The auditor's report on the basic financial statements and specified required supplemental information is included in the Financial Section of this report. The auditor's report related specifically to the single audit is included in the Single Audit Section of this report.

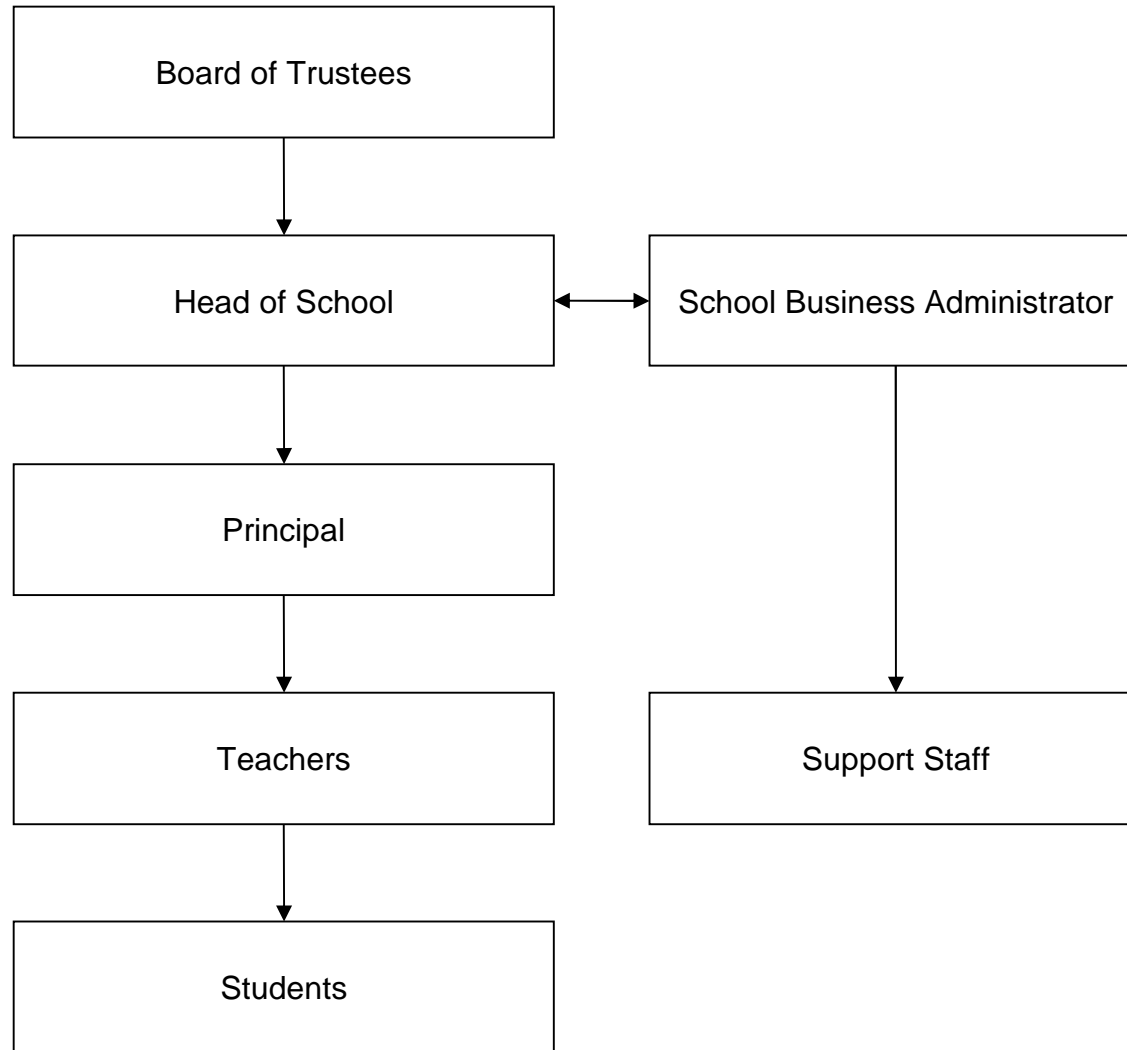
8. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of Pace Charter School of Hamilton Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating charter school and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,

A handwritten signature in black ink that reads "Deborah A. Pontoriero". The signature is written in a cursive style with a large initial 'D'.

Deborah A. Pontoriero
Lead Person

ORGANIZATIONAL CHART



**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2017**

MEMBERS OF THE BOARD OF TRUSTEES

POSITION

Nicole Pollard-Alford	President
Ingrid Trottman	Vice President
Lakesha Williams	Recording Secretary
Maria Mercedes	Trustee
Norma Villanueva	Trustee
Joanne Roberts	Trustee
Carmen Vasquez	Trustee
Tamara Childs	Trustee

OTHER OFFICIALS

Deborah A. Pontoriero (ex-officio)	Lead Person
Paul Dewitt	SBA
Jill Mingo	Teacher Representative

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

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

Official Depository

Sun Bank
411 Route 33
Trenton, NJ 08619

Attorney

Johnson Law Firm
77 Midland Ave
Suite 1
Montclair, New Jersey 07042
(up to April, 2016)

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 303

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, as of June 30, 2017, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 14 and Page 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the *New Jersey Circular 15-08 OMB State Aid/Grant Compliance Supplement* respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of the Pace Charter School of Hamilton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.


Barre & Company LLC, CPA's
Union, New Jersey


Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's
Union, New Jersey

November 10, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PACE CHARTER SCHOOL OF HAMILTON PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

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

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

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2017 are as follows:

- ❖ General revenues accounted for \$3,786,331 in revenue or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$159,471 or 4% of total revenues of \$3,945,802.
- ❖ The Charter School had \$4,285,039 in expenses; only \$159,471 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,786,331 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$3,512,836 in revenues and \$3,681,026 in expenditures. The General Fund's fund balance decreased by \$168,190 over 2016. This decrease was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

**PACE CHARTER SCHOOL OF HAMILTON PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

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

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

PACE CHARTER SCHOOL OF HAMILTON
PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY

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

Governmental Funds

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

Proprietary Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 35 of this report.

The Charter School as a Whole

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

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

The Charter School's combined net position (deficit) were \$(41,710.00) for June 30, 2017 and \$445,135 for 2016.

Governmental Activities

The Charter School's total revenues were \$3,800,789 for the year ended June 30, 2017 and \$3,627,152 for 2016, this includes \$360,931 for 2017 and \$242,433 for 2016 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$4,172,476 for 2017 and \$3,581,192 for 2016. Instruction comprises 51% for 2017 and 57% for 2016 of Charter School expenses.

**PACE CHARTER SCHOOL OF HAMILTON PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

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

Governmental Activities (Continued)

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

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

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

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

Business-Type Activity

Revenues for the Charter School's business-type activity (food service program) are comprised of charges for services and federal and state reimbursements.

- ❖ Food service revenues exceeded expenses by \$32,450 for 2017 and by \$34,199 for 2016.
- ❖ Charges for services represent \$4,924 for 2017 and \$5,171 for 2016 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, were \$140,089 for 2017 and \$139,945 for 2016.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$3,800,789 for 2017 and \$3,627,152 for 2016 and expenditures were \$3,968,979 for 2017 and \$3,581,192 for 2016. The net change in fund balance for the year was most significant in the general fund, a decrease of \$(168,190).

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

**PACE CHARTER SCHOOL OF HAMILTON PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

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

The Charter School's Funds (Continued)

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Local Sources	\$ 917,284	24.13%	\$ 122,028	15.34%
State Sources	2,676,416	70.42%	137,862	5.43%
Federal Sources	207,089	5.45%	(86,253)	-29.40%
Total	\$ 3,800,789	100.00%	\$ 173,637	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2017, and the amounts and percentages of increases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Instruction	\$ 1,661,543	41.87%	\$ 87,488	5.56%
Administration	1,319,781	33.25%	110,363	9.13%
Support Services	987,655	24.88%	298,479	43.31%
Total	\$ 3,968,979	100.00%	\$ 496,330	

Changes in expenditures were the results of varying factors.

General Fund Budgeting Highlights

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

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

**PACE CHARTER SCHOOL OF HAMILTON
PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

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

For the Future

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

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Deborah A. Pontoriero, School Business Administrator at Pace Charter School of Hamilton, 1949 Hamilton Avenue, Hamilton, New Jersey 08619. Please visit our website at <http://www.pacecharterschool.com/>.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

PACE CHARTER SCHOOL OF HAMILTONStatement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 303,449	\$ 219,831	\$ 523,280
Interfund Receivables	216,012		216,012
Receivables		7,017	7,017
Prepaid Expenses	40,790		40,790
Total Assets	560,251	226,848	787,099
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	998,912		998,912
Total Deferred Outflows of Resources	998,912	-	998,912
LIABILITIES:			
Interfund Payable		142,133	142,133
Payable to State Government	20,027		20,027
Accounts Payable	7,348	6,846	14,194
Noncurrent Liabilities:			
Pension	1,663,973		1,663,973
Total Liabilities	1,691,348	148,979	1,840,327
DEFERRED INFLOWS OF RESOURCES:			
Pensions	(12,606)		(12,606)
Total Deferred Inflows of Resources	(12,606)	-	(12,606)
NET POSITION:			
Unassigned	(119,579)	77,869	(41,710)
Total Net Position	\$ (119,579)	\$ 77,869	\$ (41,710)

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

PACE CHARTER SCHOOL OF HAMILTON
 Statement of Activities
 For The Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 1,661,543	\$ 475,387	\$ -	\$ 14,458	\$ -	\$ (2,122,472)	\$ -	\$ (2,122,472)
Administration	826,329	153,578				(979,907)		(979,907)
Support Services	987,655	67,984				(1,055,639)		(1,055,639)
Total Governmental Activities	3,475,527	\$ 696,949	-	14,458	-	(4,158,018)	-	(4,158,018)
BUSINESS-TYPE ACTIVITIES:								
Food Service	112,563		4,924	140,089		-	32,450	32,450
Total Business-Type Activities	112,563		4,924	140,089		-	32,450	32,450
Total Primary Government	\$ 3,588,090		\$ 4,924	\$ 154,547	\$ -	\$ (4,158,018)	\$ 32,450	\$ (4,125,568)
GENERAL REVENUES								
General Purposes						\$ 836,420	\$ -	\$ 836,420
Federal and State Aid Not Restricted						2,949,911		2,949,911
Total General Revenues						3,786,331	-	3,786,331
Change in Net Position						(371,687)	32,450	(339,237)
Net Position - Beginning of Year						252,108	45,419	297,527
Net Position - Ending						(119,579)	\$ 77,869	\$ (41,710)

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

PACE CHARTER SCHOOL OF HAMILTON

Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 303,449	\$ -	\$ 303,449
Interfund Receivables	216,012		216,012
Security Deposit	40,790		40,790
	<u>560,251</u>	<u>-</u>	<u>560,251</u>
Total Assets	\$ 560,251	\$ -	\$ 560,251
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Payables to State Government	\$ 20,027	\$ -	\$ 20,027
Accounts Payable	7,348		7,348
	<u>27,375</u>	<u>-</u>	<u>27,375</u>
Total Liabilities	27,375	-	27,375
 Fund Balances:			
Unassigned:			
General Fund	532,876		532,876
	<u>532,876</u>	<u>-</u>	<u>532,876</u>
Total Fund Balances	532,876	-	532,876
Total Liabilities and Fund Balances	\$ 560,251	\$ -	

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

Net pension liability of \$1,663,973 ,deferred inflows of resources of -\$12,606 less deferred outflows of resources of \$998,912 related to pensions are not reported in the governmental funds	<u>(652,455)</u>
Net Position of Governmental Activities	<u>\$ (119,579)</u>

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

PACE CHARTER SCHOOL OF HAMILTON
 Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 836,420		\$ 836,420
Rutgers SSI Grant		80,864	80,864
Total Local Sources	836,420	80,864	917,284
Intermediate Sources			-
State Sources	2,676,416		2,676,416
Federal Sources		207,089	207,089
Total Revenues	3,512,836	287,953	3,800,789
EXPENDITURES:			
Instruction	1,463,620	197,923	1,661,543
Administration	1,319,781		1,319,781
Support Services	897,625	90,030	987,655
Total Expenditures	3,681,026	287,953	3,968,979
NET CHANGE IN FUND BALANCES	(168,190)	-	(168,190)
FUND BALANCES, JULY 1	701,066	-	701,066
FUND BALANCES, JUNE 30	\$ 532,876	\$ -	\$ 532,876

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

PACE CHARTER SCHOOL OF HAMILTON
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For The Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental fund (from B-2)	\$ (168,190)
Amounts reported for governmental activities in the statement of activities (A-2) which are different because:	
Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.	(203,497)
	(203,497)
Change in net position of governmental activities	<u><u>\$ (371,687)</u></u>

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

PROPRIETARY FUNDS

PACE CHARTER SCHOOL OF HAMILTON
 Proprietary Fund
 Statement of Fund Net Position
 June 30, 2017

	Business Type- Activities
	Food Service
ASSETS:	
Cash and Cash Equivalents	\$ 219,831
Intergovernmental Accounts Receivable:	
Federal	6,932
State	85
	226,848
Total Assets	226,848
LIABILITIES:	
Interfund Accounts Payable	142,133
Accounts Payable	6,846
	148,979
Total Liabilities	148,979
NET POSITION:	
Unrestricted	77,869
	77,869
Total Net Position	\$ 77,869

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

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2017

	Business Type- Activities
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 4,924
Daily Sales Non-reimbursable Program	-
	-
Total Operating Revenues	4,924
OPERATING EXPENSES:	
Cost of Sales- Reimbursable	112,563
Cost of Sales- Non-Reimbursable	-
	-
Total Operating Expenses	112,563
OPERATING LOSS	(107,639)
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	1,757
Federal Source:	
National School Breakfast Program	44,762
National School Lunch Program	86,931
Fresh Fruit and Vegetables	6,639
	6,639
Total Nonoperating Revenues	140,089
CHANGE IN NET POSITION	32,450
TOTAL NET POSITION, JULY 1	45,419
TOTAL NET POSITION, JUNE 30	\$ 77,869

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

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Business Type- Activities
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 4,531
Cash Payments to Suppliers and Employees	(68,760)
	(64,229)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	140,089
	140,089
Net Increase In Cash And Cash Equivalents	75,860
Cash And Cash Equivalents, Beginning Of Year	143,971
	\$ 219,831
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss Used for Operating Activities	\$ (107,639)
Change In Assets And Liabilities:	
Increase In Receivables From Other Governments	(393)
Increase In Interfund Payable	42,026
Increase In Accounts Payable	1,777
	(64,229)
Net Cash Used For Operating Activities	\$ (64,229)

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

FIDUCIARY FUNDS

PACE CHARTER SCHOOL OF HAMILTON
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2017

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ 117,300
Total Assets	\$ 117,300
LIABILITIES:	
Liabilities:	
Interfund Accounts Payable	\$ 73,879
Payroll Deductions and Withholdings	43,421
Total Liabilities	\$ 117,300

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

NOTES TO THE FINANCIAL STATEMENTS

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Pace Charter School of Hamilton have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Starting on fiscal year ended June 30, 2017, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement no. 63 identifies net position, rather than net assets as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. Pace Charter School of Hamilton is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. 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 and account groups of the Charter School.

B. Basis of Presentation, Basis of Accounting

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

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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

Basis of Presentation

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

The statement of net position presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

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

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others which includes Net Payroll Fund and Payroll Agency Fund.

Basis of Accounting

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

Charter School - wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. 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. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

Total Revenues & Expenditures (Budgetary Basis)	\$ 287,953
Adjustments:	
Less Encumbrances at June 30, 2017	-
Plus Encumbrances at June 30, 2016	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 287,953</u>

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Encumbrances Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

E. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School - wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - 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.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School – 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.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Net Position:

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Reserves:

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

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest and tuition.

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Pensions

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

G. Impact of Recently Issued Accounting Principles

During fiscal year 2017, the District adopted the following GASB statements as required:

GASB No. 73, Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB No.77, Tax Abatement Disclosures. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

GASB No. 80, Blending Requirements for Certain Component Units- An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. The Financial Reporting Entity, as amended.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Impact of Recently Issued Accounting Principles (Continued)**

GASB No. 82, *Pension Issues -An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pension, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other postemployment benefits (OPEB)).

GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is deceased in substance.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

GASB No. 87, Leases, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Deposits

New Jersey statutes require that charter school's deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

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

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

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

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the charter school.

The Charter School had no investments as of June 30, 2016. As of June 30, 2017, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 303,449	\$ 219,831	\$ 117,300	\$ 640,580

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$640,580 and the bank balance was \$670,855. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

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

As of June 30, 2017, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2017, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3: RECEIVABLES

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

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ -	\$ 85
Federal Aid	-	6,932
Other	40,790	40,790
Gross Receivables	40,790	47,807
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 40,790</u>	<u>\$ 47,807</u>

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 216,012	\$ -
Proprietary Fund		142,133
Fiduciary Fund		73,879
Total	<u>\$ 216,012</u>	<u>\$ 216,012</u>

NOTE 5: CAPITAL ASSETS

The entity has no capital assets as of June 30, 2017.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6: RENTAL LEASE

The school has entered into a ten (10) year lease commencing July 1, 2008 and expiring June 30, 2018 with a related party to lease classroom and office space at 1949 Hamilton Avenue, Hamilton, New Jersey based on the following rent schedule:

<u>Years</u>	<u>Amount</u>
1 and 2	\$102,000
3 through 5	\$108,000
6 and 7	\$114,000
8 through 10	\$120,000

The lease is a triple net lease by which the tenant is responsible for real estate taxes, utilities, and all items of maintenance. Total lease payments made during the year ended June 30, 2017 was \$114,000.

On May 21, 2014, the school entered into a five (5) year lease commencing September 1, 2014 and expiring August 30, 2019 to lease classroom and office space at 3500 South Broad Street, Hamilton, New Jersey. In accordance with the lease, the school paid a security deposit in the amount of \$40,790 in June, 2014. The school paid rent in the amount of \$261,048 during the year ended June 30, 2017.

<u>Years</u>	<u>Amount</u>
1	\$183,553
2	\$261,048
3 through 5	\$277,364

On August 15, 2013, the school entered into a five (5) year lease commencing June 1, 2013 and expiring May 30, 2018 to lease classroom and office space at 528 South Olden Avenue, Hamilton, New Jersey. In accordance with the terms of the lease, no rent was due in the first year. Rent for years 2 through 5 is \$59,622 per year paid in monthly installments. The school paid rent in the amount of \$59,622 during the year ended June 30, 2017.

NOTE 7: PENSION PLANS

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

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Basis of Presentation

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

Allocation Methodology and Reconciliation to Financial Statements

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

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group.

Contributions

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

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Contributions (Continued)

For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. The Charter School contributions to PERS amounted to \$ 49,912 for fiscal year 2016.

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

At June 30, 2017, the Charter School reported a liability of \$1,663,973 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 which was rolled forward to June 30, 2016. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Charter School's proportion was 0.00561829%, which was an increase of 0.00135242% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2016, the Charter School recognized pension expense of \$36,675. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 344,686	\$ -
Difference Between Expected and Actual Experience	30,945	-
Changes in Proportion	538,141	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>63,449</u>	<u>-</u>

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

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

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

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

Fiscal Year Ending June 30,	Total
2017	\$ 98,855
2018	98,855
2019	114,527
2020	96,219
2021	30,625
	\$ 439,081

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, 2016 measurement date was determined by an actuarial valuations as of July 1, 2015. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases:	
2012-2021	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.65%

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and 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 Combines Healthy male and Female Mortality Tables (set back 3 years for males and set forward 1 year for females).

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

The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.66% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic 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:

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

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

Discount Rate

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

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

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

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

Fiscal Year Ended June 30, 2016			
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's proportionate share of the Net Pension Liability	\$ 2,039,009	\$ 1,663,976	\$ 1,354,355
Fiscal Year Ended June 30, 2015			
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the Net Pension Liability	\$ 1,190,181	\$ 957,601	\$ 762,608

Pension Plan Fiduciary Net Position

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

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Benefit Provided

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

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

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

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Allocation Methodology (Continued)

pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

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

Special Funding Situation

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2015, the State of New Jersey contributed \$13,752 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$67,055.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

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

As June 30, 2016, the State's proportionate share of the net pension liability associated with the Charter School was \$6,623,536. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016.

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, Charter School's proportion was 0.0084198%, which was an increase of 0.0024859% from its proportion measured as of June 30, 2015.

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	<u>6,623,536</u>
Total	<u><u>\$ 6,623,536</u></u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the Charter School in the amount of \$67,055 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions

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

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

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality 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, 2009 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2016 is summarized in the following table:

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions. 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 after the date in determining the total pension liability.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

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

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

For the Fiscal Year Ended June 30, 2016			
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Charter School's proportionate share of the Net Pension Liability	\$ 7,946,454	\$ 6,623,551	\$ 5,598,683

For the Fiscal Year Ended June 30, 2015			
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Charter School's proportionate share of the Net Pension Liability	\$ 4,483,673	\$ 3,771,490	\$ 3,160,092

Pension Plan Fiduciary Net Position – TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

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

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

For DCRP, the Charter School recognized no pension expense related to DCRP for the fiscal year ended June 30, 2017.

NOTE 8: POST-RETIREMENT BENEFITS

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

The state is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$231.2 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2016.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance

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

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

The General Fund fund balance of \$532,876 in the fund financial statements at June 30, 2017 is unreserved and undesignated.

NOTE 11: RELATED PARTY TRANSACTIONS

The Charter School leases its school facility from P & G Enterprises, LLC, which is a related party to the Lead Person. The lease expires in 2018.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 10, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 519,399		\$ 519,399	\$ 836,420	\$ 317,021
Total Local Levy Budget	519,399	-	519,399	836,420	317,021
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	2,487,577		2,487,577	2,046,337	(441,240)
Special Education Aid	36,558		36,558	14,458	(22,100)
Security Aid	66,643		66,643	61,714	(4,929)
Adjustment Aid	138,210		138,210	192,976	54,766
Total Categorical Aid	2,728,988	-	2,728,988	2,315,485	(413,503)
Revenues From Other Sources:					
Miscellaneous Revenue					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				136,789	136,789
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				113,976	
On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted)				1,131	
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				109,035	109,035
Total Revenues From Other Sources	-	-	-	360,931	245,824
Total Revenues	3,248,387	-	3,248,387	3,512,836	149,342
EXPENDITURES:					
Instruction:					
Salaries of Teachers	995,800	86,821	1,082,621	1,082,621	-
Other Salaries for Instruction	175,000	44,850	219,850	219,850	-
Purchased Prof/Tech Services	18,000	(6,266)	11,734	11,734	-
Other Purchased Services	12,000	(12,000)	-	-	-
General Supplies	60,000	82,747	142,747	142,747	-
Textbooks	2,500	(2,500)	-	-	-
Miscellaneous	15,000	(8,332)	6,668	6,668	-
Total Instruction	1,278,300	185,320	1,463,620	1,463,620	-
Administration:					
Salaries - General Administration	210,000	91,420	301,420	301,420	-
Salaries of Secretarial/Clerical Assistants	150,000	(30,645)	119,355	119,355	-
Total Benefits Cost	427,700	23,425	451,125	451,125	-
Purchases Prof/Tech Services	20,500	37,129	57,629	57,629	-
Other Purchased Services	5,000	(3,014)	1,986	1,986	-
Communications/Telephone	12,500	5,087	17,587	17,587	-
Supplies and Materials	30,000	(20,389)	9,611	9,611	-
Miscellaneous Expenses	24,000	(23,863)	137	137	-
Total Administration	879,700	79,150	958,850	958,850	-

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

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 180,000	\$ 6,264	\$ 186,264	\$ 186,264	\$ -
Purchased Prof/Ed Services	32,000	26,008	58,008	58,008	-
Purchased Prof/Tech Services	30,000	52,072	82,072	82,072	-
Rental of Land and Buildings	434,645	51,126	485,771	485,771	-
Transportation-Other Than To/From School	8,500	(943)	7,557	7,557	-
Insurance for Property, Liability and Fidelity	18,250	(4,534)	13,716	13,716	-
Supplies and Materials	25,000	(9,956)	15,044	15,044	-
Energy Costs (Heat and Electricity)	43,000	5,785	48,785	48,785	-
Miscellaneous Expenses	24,000	(23,592)	408	408	-
Total Support Services	795,395	102,230	897,625	897,625	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)				136,789	(136,789)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				113,976	(113,976)
On Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				1,131	(1,131)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	109,035	(109,035)
Total Expenditures	2,953,395	366,700	3,320,095	3,681,026	(109,035)
Excess (Deficiency) of Revenues Over (Under) Expenditures	294,992	(366,700)	(71,708)	(168,190)	(96,482)
FUND BALANCE, JULY 1	511,164	(155,166)	355,998	701,066	345,068
FUND BALANCE, JUNE 30	\$ 806,156	\$ (521,866)	\$ 284,290	\$ 532,876	\$ 248,586
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 806,156	\$ (521,866)	\$ 284,290	\$ 532,876	\$ 248,586
Total	\$ 806,156	\$ (521,866)	\$ 284,290	\$ 532,876	\$ 248,586

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

PACE CHARTER SCHOOL OF HAMILTON
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Local	\$ -	\$ 80,864	\$ 80,864	\$ 80,864	\$ -
Federal	207,089		207,089	207,089	\$ -
Total Revenues	<u>207,089</u>	<u>80,864</u>	<u>287,953</u>	<u>287,953</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries	111,000	80,864	191,864	191,864	-
General Supplies	6,059		6,059	6,059	-
Total Instruction	<u>117,059</u>	<u>80,864</u>	<u>197,923</u>	<u>197,923</u>	<u>-</u>
Support Services:					
Personal Services - Employee Benefits	28,860		28,860	28,860	-
Purchased Professional Services	48,159		48,159	48,159	-
Purchased Technical Services	13,011		13,011	13,011	-
Total Support Services	<u>90,030</u>	<u>-</u>	<u>90,030</u>	<u>90,030</u>	<u>-</u>
Total Expenditures	<u>207,089</u>	<u>80,864</u>	<u>287,953</u>	<u>287,953</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PACE CHARTER SCHOOL OF HAMILTON
 Budgetary Comparison Schedule
 Budget-To-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2017

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 3,512,836	[C-2] 287,953
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	 - <hr/>	 - <hr/>
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	 [B-2] \$ <u>3,512,836</u>	 [B-2] \$ <u>287,953</u>
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 3,681,026	[C-2] 287,953
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	 - <hr/>	 - <hr/>
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	 [B-2] \$ <u>3,681,026</u>	 [B-2] \$ <u>287,953</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

PACE CHARTER SCHOOL OF HAMILTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Charter School's proportion of the net pension liability	0.00155107%	0.00250878%	0.004265865%	0.005618290%
Charter School's proportionate share of the net pension liability	\$ 296,440	\$ 469,712	\$ 957,601	\$ 1,663,973
Charter School's covered employees payroll	\$ 318,635	\$ 464,711	\$ 339,903	\$ 339,903
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	93%	101%	282%	490%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%	45.37%

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

PACE CHARTER SCHOOL OF HAMILTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Contractually required contribution	\$ 11,687	\$ 20,682	\$ 36,675	\$ 49,912
Contributions in relation to the contractually required contribution	(11,687)	(20,682)	(36,675)	(49,912)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -
Charter School's covered employee payroll	\$ 318,635	\$ 464,711	\$ 339,903	\$ 325,570
Contributions as a percentage of covered employee payroll	3.67%	4.45%	10.79%	15.33%

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

PACE CHARTER SCHOOL OF HAMILTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
State's proportion of the net pension liability attributable of the Charter School	0.0048768%	0.00615718%	0.00593393%	0.00841980%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 2,464,673	\$ 3,290,812	\$ 3,750,497	\$ 6,623,536
CS / District's covered employees payroll	\$ 969,160	\$ 915,411	\$ 1,268,995	\$ 1,475,439
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	254.31%	359.49%	295.55%	448.92%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.76%	28.71%	22.33%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2016

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.39% as of June 30, 2015 to 3.98% as of June 30, 2016.

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2016

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 45.39% as of June 30, 2015 to 3.22% as of June 30, 2016.

OTHER SUPPLEMENTARY INFORMATION

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

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

THE PACE CHARTER SCHOOL OF HAMILTON
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	Title I	Title II Part A	I.D.E.A.	Local Grant	Total
REVENUE SOURCES:					
Federal	\$ 153,345	\$ 5,585	\$ 48,159		\$ 207,089
Local				80,864	80,864
Total Revenues	\$ 153,345	\$ 5,585	\$ 48,159	\$ 80,864	\$ 287,953
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 111,000	\$ -	\$ -	80,864	\$ 191,864
General Supplies	6,059				6,059
Total Instruction	117,059	-	-	80,864	197,923
Support Services:					
Personal Services - Employee Benefits	28,860				28,860
Purchased Prof/Ed Services			48,159		48,159
Purchased Technical Services	7,426	5,585			13,011
Total Support Services	36,286	5,585	48,159	-	90,030
Total Expenditures	\$ 153,345	\$ 5,585	\$ 48,159	\$ 80,864	\$ 287,953

**SECTION G – PROPRIETARY FUND
DETAIL STATEMENTS**

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

Food Services Fund – This fund provides for the operation of food services for the Charter School.

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

**SECTION H – FIDUCIARY FUND
DETAIL STATEMENTS**

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

Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.

As of June 30, 2017, there is no non-expendable trust fund utilized by the Charter School.

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

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

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

PACE CHARTER SCHOOL OF HAMILTON
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2017

	Agency Fund		
	Payroll Agency	Net Payroll	Total Agency
ASSETS:			
Cash and Cash Equivalents	\$ 69,645	\$ 47,655	\$ 117,300
Total Assets	<u>\$ 69,645</u>	<u>\$ 47,655</u>	<u>\$ 117,300</u>
LIABILITIES:			
Liabilities:			
Interfund Accounts Payable	\$ 26,224	47,655	\$ 73,879
Payroll Deductions and Withholdings	43,421	-	43,421
Total Liabilities	<u>69,645</u>	<u>47,655</u>	<u>117,300</u>
Total Liabilities	<u>\$ 69,645</u>	<u>\$ 47,655</u>	<u>\$ 117,300</u>

PACE CHARTER SCHOOL OF HAMILTON
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS:				
Cash and Cash Equivalents	\$ 30,172	\$ 850,818	\$ 811,345	\$ 69,645
Total Assets	\$ 30,172	\$ 850,818	\$ 811,345	\$ 69,645
LIABILITIES:				
Interfund Accounts Payable	\$ 17,449	\$ 807,397	\$ 798,622	\$ 26,224
Payroll Deductions and Withholdings	12,723	43,421	12,723	43,421
Total Liabilities	\$ 30,172	\$ 850,818	\$ 811,345	\$ 69,645

**STATISTICAL SECTION
(UNAUDITED)**

GASB requires that ten years of statistical data be presented. State law usually grants charters for less than information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable to Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning that year.

FINANCIAL TRENDS

PACE CHARTER SCHOOL OF HAMILTON

Net Assets/Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Invested in capital assets, net of related debt	\$ -	\$ 124,763	\$ 134,796	\$ 79,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(119,579)	274,953	546,563	518,927	498,733	608,050	508,961	353,245	100,018	106,086
Total Governmental Activities Net Assets/Position	<u>\$ (119,579)</u>	<u>\$ 399,716</u>	<u>\$ 681,359</u>	<u>\$ 598,260</u>	<u>\$ 498,733</u>	<u>\$ 608,050</u>	<u>\$ 508,961</u>	<u>\$ 353,245</u>	<u>\$ 100,018</u>	<u>\$ 106,086</u>
Business-Type Activities										
Unrestricted	\$ 77,869	\$ 45,419	\$ 11,171	\$ (6,331)	\$ (10,186)	\$ (7,669)	\$ (407)	\$ 491	\$ 688	\$ 3,824
Total Business-Type Activities Net Assets/Position	<u>\$ 77,869</u>	<u>\$ 45,419</u>	<u>\$ 11,171</u>	<u>\$ (6,331)</u>	<u>\$ (10,186)</u>	<u>\$ (7,669)</u>	<u>\$ (407)</u>	<u>\$ 491</u>	<u>\$ 688</u>	<u>\$ 3,824</u>
Charter School-wide										
Unrestricted	\$ (41,710)	\$ 320,372	\$ 557,734	\$ 512,596	\$ 488,547	\$ 600,381	\$ 508,554	\$ 353,736	\$ 100,706	\$ 109,910
Total Charter School-wide Net Assets/Position	<u>\$ (41,710)</u>	<u>\$ 445,135</u>	<u>\$ 692,530</u>	<u>\$ 591,929</u>	<u>\$ 488,547</u>	<u>\$ 600,381</u>	<u>\$ 508,554</u>	<u>\$ 353,736</u>	<u>\$ 100,706</u>	<u>\$ 109,910</u>

PACE CHARTER SCHOOL OF HAMILTON
 Changes in Net Assets/Position
 For the Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
Instruction	\$ 1,661,543	\$ 1,574,055	\$ 1,526,772	\$ 1,483,232	\$ 951,479	\$ 549,670	\$ 574,591	\$ 758,129	\$ 683,923	\$ 592,794
Administration	1,523,278	1,307,928	942,377	385,112	330,549	406,666	370,820	341,404	347,352	300,637
Support Services	987,655	689,176	780,511	316,351	462,625	575,935	370,090	326,510	365,445	296,894
Capital Outlay	-	-	-	-	-	-	-	-	1,076	-
Unallocated	-	10,033	10,033	5,667	-	-	-	-	-	-
Total Governmental Activities Expenses	\$ 4,172,476	\$ 3,581,192	\$ 3,259,693	\$ 2,190,362	\$ 1,744,653	\$ 1,532,271	\$ 1,315,501	\$ 1,426,043	\$ 1,397,796	\$ 1,190,325
Business-Type Activities:										
Food Service	112,563	110,917	100,294	73,191	52,397	51,940	41,028	54,435	39,947	57,310
Total Business-Type Activities Expenses	112,563	110,917	100,294	73,191	52,397	51,940	41,028	54,435	39,947	57,310
Total Charter School Expenses	\$ 4,285,039	\$ 3,692,109	\$ 3,359,987	\$ 2,263,553	\$ 1,797,050	\$ 1,584,211	\$ 1,356,529	\$ 1,480,478	\$ 1,437,743	\$ 1,247,635
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 14,458	\$ 21,599	\$ 17,215	\$ 4,303	\$ -	\$ 3,868	\$ 18,899	\$ 18,952	\$ -	\$ -
Total Governmental Activities Expenses	14,458	21,599	17,215	4,303	-	3,868	18,899	18,952	-	-
Business-Type Activities:										
Charges for Services	4,924	5,171	4,985	5,928	4,255	5,594	3,095	3,667	4,916	3,035
Operating Grants and Contributions	140,089	139,945	112,811	71,118	45,625	39,084	37,035	32,571	27,887	28,286
Total Business-Type Activities Expenses	145,013	145,116	117,796	77,046	49,880	44,678	40,130	36,238	32,803	31,321
Total Charter School Program Revenue	\$ 159,471	\$ 166,715	\$ 135,011	\$ 81,349	\$ 49,880	\$ 48,546	\$ 59,029	\$ 55,190	\$ 32,803	\$ 31,321
Net (Expense)/Revenue										
Governmental Activities	\$ (4,158,018)	\$ (3,559,593)	\$ (3,242,478)	\$ (2,186,059)	\$ (1,744,653)	\$ (1,528,403)	\$ (1,296,602)	\$ (1,407,091)	\$ (1,397,796)	\$ (1,190,325)
Business-Type Activities	32,450	34,199	17,502	3,855	(2,517)	(7,262)	(898)	(18,197)	(7,144)	(25,989)
Total Charter School Net Expense	\$ (4,125,568)	\$ (3,525,394)	\$ (3,224,976)	\$ (2,182,204)	\$ (1,747,170)	\$ (1,535,665)	\$ (1,297,500)	\$ (1,425,288)	\$ (1,404,940)	\$ (1,216,314)
General Revenues										
Governmental Activities:										
General Purposes	\$ 836,420	\$ 742,917	\$ 671,935	\$ 399,114	\$ 232,360	\$ 263,753	\$ 299,406	\$ 229,685	\$ 211,019	\$ 207,497
Federal and State Aid Not Restricted	2,949,911	2,862,636	2,585,546	1,886,472	1,401,578	1,363,740	1,152,911	1,430,213	1,180,601	924,567
Investment Earnings	-	-	-	-	-	-	-	420	108	2,069
Miscellaneous Income	-	-	15,524	-	1,399	-	-	-	-	-
Total Governmental Activities	\$ 3,786,331	\$ 3,605,553	\$ 3,273,005	\$ 2,285,586	\$ 1,635,337	\$ 1,627,493	\$ 1,452,317	\$ 1,660,318	\$ 1,391,728	\$ 1,134,133
Business-Type Activities:										
Investment Earnings	-	-	-	-	8	-	-	-	-	-
Miscellaneous Income	-	49	-	-	-	-	-	18,000	4,000	33,604
Total Business-Type Activities Expenses	-	49	-	-	8	-	-	18,000	4,000	33,604
Total Charter School Wide	\$ 3,786,331	\$ 3,605,602	\$ 3,273,005	\$ 2,285,586	\$ 1,635,345	\$ 1,627,493	\$ 1,452,317	\$ 1,678,318	\$ 1,395,728	\$ 1,167,737
Change in Net Assets/Position										
Governmental Activities	\$ (371,687)	\$ 45,960	\$ 30,527	\$ 99,527	\$ (109,316)	\$ 99,090	\$ 155,715	\$ 253,227	\$ (6,068)	\$ (56,192)
Business-Type Activities	32,450	34,248	17,502	3,855	(2,509)	(7,262)	(898)	(197)	(3,144)	7,615
Total Charter School	\$ (339,237)	\$ 80,208	\$ 48,029	\$ 103,382	\$ (111,825)	\$ 91,828	\$ 154,817	\$ 253,030	\$ (9,212)	\$ (48,577)

PACE CHARTER SCHOOL OF HAMILTON
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 532,876	\$ 701,066	\$ 546,563	\$ 518,927	\$ 498,734	\$ 608,050	\$ 508,961	\$ 353,245	\$ 100,018	\$ -
Unassigned	\$ 532,876	\$ 701,066	\$ 546,563	\$ 518,927	\$ 498,734	\$ 608,050	\$ 508,961	\$ 353,245	\$ 100,018	\$ 106,086
Total General Fund	\$ 532,876	\$ 701,066	\$ 546,563	\$ 518,927	\$ 498,734	\$ 608,050	\$ 508,961	\$ 353,245	\$ 100,018	\$ 106,086

PACE CHARTER SCHOOL OF HAMILTON
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local Sources:	917,284	\$ 742,917	\$ 687,459	\$ 399,114	\$ 233,759	\$ 263,753	\$ 299,406	\$ 230,105	\$ 211,127	\$ 210,382
State Sources	2,676,416	2,538,554	2,390,640	1,635,319	1,297,877	1,267,135	1,067,205	1,280,206	1,067,804	836,446
Federal Sources	207,089	293,342	212,121	255,456	103,701	100,473	104,605	168,959	112,797	88,121
Total Revenues	3,800,789	3,574,813	3,290,220	2,289,889	1,635,337	1,631,361	1,471,216	1,679,270	1,391,728	1,134,949
Expenditures:										
Instruction	1,661,543	1,574,055	1,526,772	1,199,404	734,117	472,566	459,885	647,282	593,465	541,578
Administration	1,319,781	1,209,418	889,806	680,402	585,402	545,875	510,124	454,756	444,667	354,537
Support Services	987,655	689,176	780,511	304,889	425,134	513,830	345,492	324,005	358,588	293,556
Capital Outlay	-	-	65,496	85,000	-	-	-	-	1,076	654
Total Expenditures	3,968,979	3,472,649	3,262,585	2,269,695	1,744,653	1,532,271	1,315,501	1,426,043	1,397,796	1,190,325
Net Change in Fund Balance	\$ (168,190)	\$ 102,164	\$ 27,635	\$ 20,194	\$ (109,316)	\$ 99,090	\$ 155,715	\$ 253,227	\$ (6,068)	\$ (55,376)

PACE CHARTER SCHOOL OF HAMILTON
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Donations	Interest	Miscellaneous Revenue	Total
2017	\$ -	\$ -	\$ -	\$ -
2016	-	-	-	-
2015	-	-	15,524	15,524
2014	-	-	-	-
2013	-	-	1,399	1,399
2012	-	-	-	-
2011	-	-	-	-
2010	-	420	-	420
2009	-	108	-	108
2008	-	2,069	816	2,885

Source: Charter School's Records

OPERATING INFORMATION

PACE CHARTER SCHOOL OF HAMILTON
 Full-Time Equivalent Charter School Employees by Function
 Last Ten Fiscal Years

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	23	24	26	14	11	8	11	11	10	10
Administrative	2	2	2	2	2	2	3	3	3	3
Support Services	13	10	10	6	2	4	3	3	2	2
Food Service	3	4	4	3	4	3	2	2	2	2
Total	41	40	42	25	19	17	19	19	17	-

PACE CHARTER SCHOOL OF HAMILTON
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2017	250	\$ 3,968,979	15,876	8.35%	23	10.9:1	245.0	240.1	3.38%	98.00%
2016	237	3,472,649	14,653	-1.01%	24	9.8:1	237.0	234.0	9.72%	98.73%
2015	216	3,197,089	14,801	0.95%	26	10.64:1	216.0	214.0	51.05%	99.07%
2014	149	2,184,695	14,662	-1.67%	11	10.64:1	143.0	139.0	27.68%	97.20%
2013	117	1,744,653	14,912	13.86%	8	14.62:1	112.0	109.0	-0.88%	97.32%
2012	117	1,532,271	13,096	11.50%	11	10.45:1	113.0	109.7	0.89%	97.08%
2011	112	1,315,500	11,746	-1.16%	10	11.69:1	112.0	112.0	-6.67%	100.00%
2010	120	1,426,043	11,884	2.10%	10	11.69:1	120.0	120.0	0.00%	100.00%
2009	120	1,396,720	11,639	14.37%	10	11.69:1	120.0	120.0	2.65%	100.00%
2008	117	1,189,671	10,177	10.80%	10	11.69:1	116.9	116.9	-2.58%	100.00%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

PACE CHARTER SCHOOL OF HAMILTON
 School Building Information
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Charter School Building										
<u>Lower School</u>										
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (students)	120	120	120	120	120	120	120	120	120	115
Enrollment	117	117	117	117	117	112	120	120	117	115

Number of Schools at June 30, 2017
 Lower School = 1

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON

Insurance Schedule
June 30, 2017
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Commercial General Liability - NJ School Boards Association Insurance Group		
Products - Completed Operations Aggregate Limit	\$ 1,000,000	
Personal and Advertising Injury		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Child Molestation/Sexual Abuse		
Aggregate Limit	3,000,000	
Per Occurrence	1,000,000	
Employee Benefits Liability	1,000,000	\$ 1,000
Premises Medical Payments		
Per Person	1,000	100
Per Accident	10,000	
Commercial Property - NJSBA Insurance Group		
Blanket Real and Personal Property		
Per Occurrence	485,000	1,000
Blanket Extra Expense	250,000	
Blanket Valuable Papers and Records	50,000	
EDP Coverage - NJSBA Insurance Group		
Blanket Hardware	25,000	1,000
Blanket Data, Media Software	25,000	
Blanket Extra Expense	included	
Business Automobile Coverage - NJSBA Insurance Group		
Combined Single Limit for Bodily Injury and Property Damage		
Per Accident (Hired and Non-Owned Only)	1,000,000	
Crime Coverage - NJSBA Insurance Group		
Faithful Performance Limit	25,000	500
Money and Securities Limit	-	
Errors and Omissions - Legion Insurance Company		
Aggregate Limit	1,000,000	5,000
Excess Liability - Umbrella Form - NJSBA Insurance Group		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Self-Insured Retention	10,000	
Workman's Compensation - NJSBA Insurance Group		
Each Accident	5,000,000	
Disease		
Each Employee	5,000,000	
Policy Limit	5,000,000	
Boiler and Machinery - NJSBA Insurance Group		
Combined Single Limit for Property Damage and Extra Expense	100,000,000	1,000

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2015	2016	2017	Source
	Audit	Audit	Audit	
Cash	\$ 453,891	\$ 610,297	\$ 523,280	Audit: Exhibit A-1
Current Assets (includes CASH)	1,184,243	1,001,468	787,099	Audit: Exhibit A-1
Total Assets	1,489,150	1,673,115	787,099	Audit: Exhibit A-1
Current Liabilities	626,509	254,983	176,354	Audit: Exhibit A-1
Total Liabilities	654,511	270,379	1,840,327	Audit: Exhibit A-1
Net Assets	364,927	445,135	(41,710)	Audit: Exhibit A-1
Total Revenue	3,408,016	3,772,317	3,945,802	Audit: Exhibit A-2
Total Expenses	3,359,987	3,692,109	4,285,039	Audit: Exhibit A-2
Change in Net Assets	48,029	80,208	(339,237)	Audit: Exhibit A-2
Depreciation Expense	-	-	-	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	216.00	237	245.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	216	237	250	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2013	2014	2015	3 YR CUM	Source:
1a. Current Ratio	1.89	3.93	4.46		Current Assets/Current Liabilities
1b. Unrestricted Days Cash	49.31	60.33	44.57		Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	98%		Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A		Audit
Sustainability Indicators					
2a. Total Margin	1%	2%	-9%		Change in Net Assets/Total Revenue
2b. Debt to Asset	0.44	0.16	2.34		Total Liabilities/Total Assets
2c.** Cash Flow	(201,094)	156,406	(87,017)		Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)
					Target
					> 1.1
					30-60
					>95%
					not in default
					positive
					<.9
					3 yr cum positive
					>1.10

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

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

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

INDEPENDENT AUDITOR’S REPORT

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 10, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Financial Statement Findings as item #2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 in the accompanying Schedule of Financial Statement Findings as item #2017-001.

We also noted other matters that we reported to the Board of Trustees of the Pace Charter School of Hamilton in a separate report entitled, Auditor's Management Report on Administrative Findings dated November 10, 2017.

Pace Charter School of Hamilton 's Response to Findings

Pace Charter School of Hamilton 's response to the findings identified in our audit are described in the accompanying Schedule of Financial Statement Findings as item #2017-001. Pace Charter School of Hamilton 's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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



Barre & Company LLC, CPA's
Union New Jersey



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's
Union New Jersey

November 10, 2017

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

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

Report on Compliance for Each Major State Program

We have audited the Pace Charter School of Hamilton’s compliance with the types of compliance requirements described in the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017. The Pace Charter School of Hamilton’s major federal and state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

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

Opinion on Each Major State Program

In our opinion, the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item #2017-002. Our opinion on each major federal program is not modified with respect to these matters.

Pace Charter School of Hamilton's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings. Pace Charter School of Hamilton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal*

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item #2017-001, that we consider to be a significant deficiency.

Pace Charter School of Hamilton's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Pace Charter School of Hamilton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

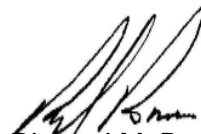
We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pace Charter School of Hamilton, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated November 10, 2017, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey Circular 15-08 OMB are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of relation to the basic financial statements as a whole.

Purpose of this Report

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



Barre & Company LLC. CPA's
Union, New Jersey



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

November 10, 2017

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2017		MEMO	
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor					Deferred Revenue/ Interfund Payable	Due to Grantor		Accounts Receivable
State Department of Education														
<i>General Fund</i>														
<i>State Aid - Public Cluster</i>														
Equalization Aid	17-495-034-5120-078	2,046,337	7/1/16	6/30/17	\$ -	\$ -	\$ 2,041,373	(2,041,373)	\$ -	\$ -	\$ -	\$ -	4,864	2,041,373
Equalization Aid	16-495-034-5120-078	2,303,422	7/1/16	6/30/16			4,964	(4,964)						4,964
Special Education Aid	17-495-034-5120-089	14,458	7/1/16	6/30/17			14,458	(14,458)						14,458
Security Aid	17-495-034-5120-084	61,714	7/1/16	6/30/17			61,714	(61,714)						61,714
Adjustment Aid	17-495-034-5120-085	192,976	7/1/16	6/30/17			192,976	(192,976)						192,976
Total State Aid - Public Cluster							2,315,465	(2,315,465)						2,315,465
On-Behalf Post-Retirement Medical Contributions	17-495-034-5095-001	113,976	7/1/16	6/30/17			113,976	(113,976)						113,976
On-Behalf TPAF Pension Contributions	17-495-034-5095-006	136,789	7/1/16	6/30/17			136,789	(136,789)						136,789
On-Behalf TPAF Long Term Disability Insurance Contributions	17-495-034-5095-004	1,131	7/1/16	6/30/17			1,131	(1,131)						1,131
Reimbursed TPAF - Social Security	17-495-034-5095-002	104,161	7/1/16	6/30/17			104,161	(104,161)						104,161
Reimbursed TPAF - Social Security	16-495-034-5095-002	4,874	7/1/15	6/30/16			4,874	(4,874)						4,874
Total General Fund							2,676,416	(2,676,416)					4,864	2,676,416
State Department of Agriculture														
<i>Enterprise Fund:</i>														
National School Lunch Program (State Share)	17-100-010-3350-023	1,757	7/1/16	6/30/17			1,672	(1,757)						1,757
National School Lunch Program (State Share)	16-100-010-3350-023	1,563	7/1/15	6/30/16			86							86
Total Enterprise Fund							1,758	(1,757)						1,757
Total State Financial Assistance							2,678,174	(2,678,173)					5,049	2,678,173
State Financial Assistance Not to Subject to Major Program Determination:														
<i>General Fund:</i>														
On-Behalf Post-Retirement Medical Contributions	17-495-034-5095-001	113,976	7/1/16	6/30/17			(113,976)	113,976						113,976
TPAF Post-Retirement Medical Contributions	16-495-034-5095-001	-	7/1/15	6/30/16			-	-						-
On-Behalf TPAF Pension Contributions	17-495-034-5095-006	136,789	7/1/16	6/30/17			(136,789)	136,789						136,789
On-Behalf TPAF Long Term Disability Insurance Contributions	17-495-034-5095-004	1,131	7/1/16	6/30/17			(1,131)	1,131						1,131
Total On-Behalf TPAF Payments							(251,896)	251,896						251,896
Total State Financial Assistance Subject to Major Program Determination							2,426,278	(2,426,277)					5,049	2,830,069

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

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2017

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures Of Awards and Financial Assistance
June 30, 2017

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ -	\$ 2,676,416	\$ 2,676,416
Special Revenue Fund	207,089	-	207,089
Food Service Fund	131,693	1,757	133,450
Total Awards & Financial Assistance	<u>\$ 338,782</u>	<u>\$ 2,678,173</u>	<u>\$ 3,016,955</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Pace Charter School of Hamilton has no loan balances outstanding at June 30, 2017.

NOTE 6. OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

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

Schoolwide programs are not separate federal programs as defined in Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The Charter School does not have a schoolwide program.

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? Yes No

2) Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to basic financial statements noted? Yes No

State Awards Section

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

Auditee qualified as low-risk auditee? Yes No

Type of auditors’ report issued on compliance for major programs Unmodified

Internal control over major programs:

1) Material weakness(es) identified? Yes No

2) Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08 OMB? Yes No

Identification of major state programs:

GMIS Number(s)	Name of State Program
	<u>STATE AID-PUBLIC CLUSTER:</u>
<u>17-495-034-5120-078</u>	<u>EQUALIZATION AID</u>
<u>17-495-034-5120-089</u>	<u>SPECIAL EDUCATION CATEGORICAL AID</u>
<u>17-495-034-5120-084</u>	<u>SECURITY AID</u>
<u>17-495-034-5120-085</u>	<u>ADJUSTMENT AID</u>

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section II – Schedule of Financial Statement Findings

The 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 for which *Government Auditing Standards* requires reporting in a NJ Circular 15-08 OMB. See paragraphs 13. 15 and 13, 35

Finding

Item #2017-001 – Proper Review of Disbursements by the Board of Trustees Is Not Maintained

Criteria: The entity selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. To accomplish this in part, the board is properly trained in the New Jersey regulations and requirements regarding the purchase of goods and services and reviews and approves all purchases and disbursements by the charter school on a monthly basis.

Condition: During the months of August 2016, May 2017, and June 2017, the school leader used a credit card to purchase computer equipment in the amount of \$73,300. According to New Jersey statutory requirements charter schools may not use credit cards for the purchase of goods and services.

Cause: Per the board minutes, the disbursements for all monthly purchases show multiple disbursements to the credit card companies which were approved by the board.

Effect: Improper review of disbursements by the Board of Trustees can lead to errors and fraudulent activity that can go undetected.

Questioned Costs: None

Recommendations: The Board should be properly trained in the statutory requirements for purchases of goods and services by charter schools and should properly review and question disbursements, especially where statutory requirements are not being properly met.

Views of the responsible officials and planned corrective actions: Management agrees with the finding and will implement better internal controls in this area as described in the recommendation.

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

***Section III –State Financial Assistance
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 U.S Uniform Guidance and New Jersey OMB's Circular Letter 15-08.

STATE AWARDS

Findings

Item #2017-002 – Statutory Requirements for the Purchase of Goods and Services Were Not Met

Criteria: Charter schools may not use credit cards for the purchase of goods and services.

Condition: During the months of August 2016, May 2017, and June 2017, the school leader used a credit card to purchase computer equipment in the amount of \$73,300.

Cause: The school leader, who is also a qualified purchasing agent, purchased computer equipment from an electronic retail store using two different credit cards to make the purchases.

Effect: The purchase of the computer equipment for the school was done improperly by not following statutory purchasing requirements.

Questioned Costs: The deficiency noted above is not considered to be a questioned cost. The financial statements were correctly stated.

Recommendations: We suggest that no purchases of goods or services be made with a credit card. We further suggest that the school leader does not pay for purchases by preparing checks and authorizing the payment to the vendor in cases where the school leader initiated the purchase. This is a segregation of duties weakness.

Views of the responsible officials and planned corrective actions: Management agrees with the finding and will implement better internal controls in this area.

**PACE CHARTER SCHOOL OF HAMILTON
Summary Schedule of Prior Year Audit Findings
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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

Findings

There were no prior year findings reported.