

QUEEN CITY ACADEMY CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2017

QUEEN CITY ACADEMY CHARTER SCHOOL

***Queen City Academy Charter School
Board of Trustees
Plainfield, New Jersey***

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

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

**Prepared by
Queen City Academy Charter School
Finance Department**

And

Barre & Company LLC, CPAs

STATE BOARD OF EDUCATION

ARCELIO APONTEMiddlesex
President

ANDREW J. MULVIHILL.....Sussex
Vice President

RONALD K. BUTCHERGloucester

JACK FORNARO.....Warren

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ERNEST P. LEPOREHudson

**Kimberley Harrington, Commissioner of Education
Secretary, State Board of Education**

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INTRODUCTORY SECTION



The Queen City Academy Charter School
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Plainfield, New Jersey 07063
Phone 908.753.4700 Fax 908.753.4816
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November 30, 2017

Honorable President and
Members of the Board of Trustees
The Queen City Academy Charter School
815 West 7th Street
Plainfield, New Jersey 07063

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of The Queen City Academy Charter School (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 stakeholders of The Queen City Academy Charter School 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. 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 seven-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 Lead Person 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:

The Queen City Academy Charter School is an independent reporting entity within the criteria adopted by the GASB as established by NGCA Statement No. 3. All funds and account groups of The Queen City Academy Charter School are included in this report. The Queen City Academy Charter School Board of Trustees and its school constitute the Charter School’s entity.

The Charter School provided a full range of educational services appropriate to regular students grade levels K through 8. The Queen City Academy Charter School completed the 2016-2017 fiscal year with an enrollment of 324 regular students. The following details the changes in the student enrollment of The Queen City Academy Charter School.

Average Daily Enrollment

| Fiscal Year | Student Enrollment | Percent Change |
|--------------------|---------------------------|-----------------------|
| 2016-2017 | 324 | -1.57% |
| 2015-2016 | 324 | 22.80 |
| 2014-2015 | 249 | -0.48% |
| 2013-2014 | 250 | 2.16 |
| 2011-2012 | 249 | 5% |
| 2010-2011 | 236 | 4% |
| 2009-2010 | 225 | 0% |
| 2008-2009 | 228 | 0% |
| 2007-2008 | 228 | -6% |
| 2006-2007 | 243 | 12% |

REPORTING ENTITY AND ITS SERVICES: (CONTINUED)

Average Daily Enrollment (Continued)

| | | |
|-----------|-------|-----|
| 2005-2006 | 213 | 7% |
| 2004-2005 | 198 | 12% |
| 2003-2004 | 177 | 0% |
| 2002-2003 | 177 | 32% |
| 2001-2002 | 121.6 | 41% |
| 2000-2001 | 72 | N/A |

2. ECONOMIC CONDITION AND OUTLOOK:

The City of Plainfield tax rate has been stable or slightly increased over the past several years. Economic development activities are evident in the downtown area. The housing market for existing homes has seen a decline in recent times, as has the rest of the state. The Queen City Academy Charter School occupies a space in a suburban type location in the western end of Plainfield.

3. MAJOR INITIATIVES:

After the completion of the renovation project of the historical auditorium into a new primary academic wing in the previous school year, the school enjoyed another full year with its new structure and make-up. The School facilities now consist of 18 classrooms, a music room, an art room, a dance room, a computer room, a Title I resource room, an ESL room, a gymnasium/cafeteria, nurse's office, several small offices for guidance and special education, and the main school offices. The computer room is used extensively by all students throughout the 2016-2017 school year.

Instructional Staff consisted of the following:

- 2-Kindergarten
- 2-First Grade
- 2-Second Grade
- 2-Third Grade
- 2-Fourth Grade
- 2-Fifth Grade
- 2-Sixth Grade
- 2-Seventh Grade
- 2-Eighth Grade
- 2-Title I & Basic Skills
- 2-Special Education
- 1-Art Instructor
- 1-Music Instructor

MAJOR INITIATIVES (CONTINUED):

- 1-Dance Instructor
- 1-Physical Education Instructor
- 1-Health Education Instructor
- 1-Computer Instructor
- 1-Classroom Assistants
- 1-Multi-Purpose Aide
- 1-School Nurse
- 2-Guidance & School Counselor/High School Placement
- 1-RTI Teacher

Consultants were hired for Child Study Team services, for professional development, and for coaching in Math and ELA.

The charter school's curriculum was reviewed and refined throughout the year in order to ensure alignment with the New Jersey Core Curriculum Content Standards, and with the Common Core Standards.

Students in grades 3-8 were administered by PARCC for their respective grades.

The Queen City Academy Charter School received accreditation from the Middle States Commissions on Elementary and Secondary Schools in October 2011.

The Queen City Academy Charter School continues to provide an ESL program directed at students with English as a second language.

4. INTERNAL ACCOUNTING CONTROLS:

Management of The Queen City Academy Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of The Queen City Academy Charter School are protected from loss, theft or misuse and to ensure that the adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: The cost of control should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, The Queen City Academy Charter School 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 Queen City Academy Charter School management.

As part of The Queen City Academy 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 Queen City Academy Charter School has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by The Board. Annual appropriated budget is adopted for the general fund and is approved by the Board of Trustees of The Queen City Academy Charter School.

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

6. ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of The Queen City Academy Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR END

As demonstrated by the various statements and schedules included in the financial section of this report, The Queen City Academy Charter School continues to meet its responsibility for sound financial management.

8. DEBT ADMINISTRATION:

At June 30, 2017 the Charter School had outstanding debt totaling \$2,267,570. This is the result of purchasing the building in April, 2013 for a total price of \$2,550,000. The amount financed was \$2,050,000. In addition, the Charter School incurred additional debt in the form of a construction loan in the amount of \$700,000, to help finance the significant facilities expansion to the school. The Charter School has taken an aggressive approach towards paying off the construction loan before its full maturity date.

9. CASH MANAGEMENT:

The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Queen City Academy Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with 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.

10. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, and fidelity bonds. The Board participates in the NJSBA Insurance Group.

11. ANTI-BULLYING:

On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act ("Act") requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff, and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. The Charter School has utilized the services of Strauss Esmay Associates, in providing Harassment, Intimidation, and Bullying Prevention Training Program, to assist in complying with the training requirements of the Act.

12. 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 requirements set forth in State statutes, the audit also was designed to meet the requirements contained in 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

Our responsibility is to express an opinion on compliance for each of the Charter School's major 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

13. ACKNOWLEDGEMENTS:

We would like to express appreciation to the members of The Queen City Academy Charter School Board of Trustees for their commitment to provide fiscal accountability to the citizens and taxpayers of the respective communities of Plainfield and North Plainfield and thereby contributing their full support to the maintenance of the Charter School's financial operation.

Respectfully submitted,



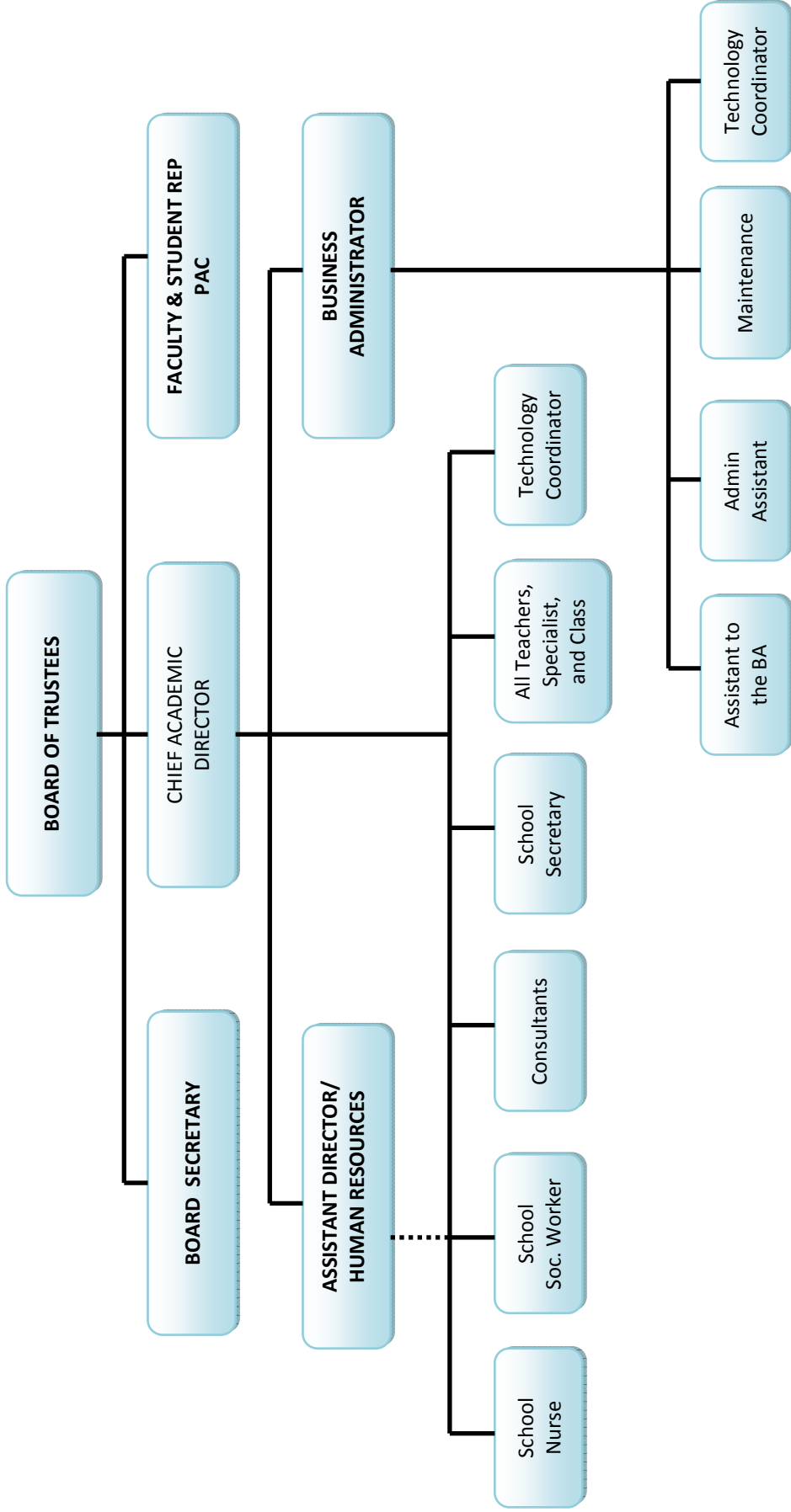
Danielle West
Chief Academic Administrator/Director



Charlene Jones
Business Administrator/
Board Secretary

THE QUEEN CITY ACADEMY CHARTER SCHOOL

ORGANIZATION CHART



**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2017**

| <u>MEMBERS OF THE BOARD OF TRUSTEES</u> | <u>TERM EXPIRES</u> |
|---|--------------------------------|
| Marlene A.J. Harvey, President | 2018 |
| Brian Kramer, Vice-President | 2020 |
| Ingrid Belle, Member | 2020 |
| Henry McCloud, Parent Liaison | 2018 |
| Omowale Morgan, Human Resources Chairperson | 2020 |
| Karen F. Moore, Member | 2020 |
| Sherylyn Tucker, Facilities Chairperson | 2019 |
| <u>OTHER OFFICIALS</u> | |
| Danielle West, Chief School Administrator/Director | |
| Charlene Jones, School Business Administrator/Board Secretary | |
| Christopher Lessard, Treasurer of School Monies | |

**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company, LLC
Certified Public Accountants
2204 Morris Avenue, Suite 206
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Attorneys

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Official Depository

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Fulton Bank of New Jersey
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FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Queen City Academy Charter School
County of Union
Plainfield, 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 Queen City Academy Charter School (Charter School), in the County of Union, 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 Queen City Academy Charter School, in the County of Union, 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 17 and 71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*," and 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 30, 2017, on our consideration of the Queen City Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181
Barre & Company LLC, CPA's

November 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY**

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

The discussion and analysis of Queen City Academy Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance. 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 \$4,863,093 in revenue or 95% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$245,300 or 5% percent of total revenues of \$5,108,393.
- ❖ The Charter School had \$4,697,346 in expenses; only \$245,300 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,863,093 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$4,732,022 in revenues and \$4,624,884 in expenditures. The General Fund's fund balance increased \$107,138 from 2016. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2017?" The *Statement of*

**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY**

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

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

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 accounts 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 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 Activities** — 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.

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 are reconciled in the financial statements.

**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY**

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

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 39 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 was \$1,658,073 for 2017 and \$1,247,026 for 2016.

Governmental Activities

The Charter School's total revenues were \$4,975,469 for 2017 and \$5,633,893 for 2016. This includes \$321,316 for 2017 and \$421,597 for 2016 of state reimbursed TPAF pension and TPAF social security contributions.

The total cost of all program and services was \$4,578,102 for 2017 and \$5,233,374 for 2016. Instruction comprises 49% for 2017 and 50% for 2016 of Charter School expenditures.

**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY**

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

Business-Type Activities

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

FOOD SERVICE

- ❖ Revenues exceeded expenses by \$13,680 for 2017, and by \$392 for 2016.
- ❖ Charges for services represent \$5,466 for 2017 and \$6,982 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, and state snack program were \$127,458 for 2017 and \$116,313 for 2016.

Governmental Activities

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

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

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

Capital Outlay represents school equipment purchased under the \$2,000 threshold.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$4,975,469 for 2017 and \$5,633,893 for 2016 and expenditures were \$4,868,331 for 2017 and \$5,716,121 for 2016. The net change in fund balance was most significant in the general fund, as there was an increase of \$107,138 for 2017, while there was a decrease of \$82,228 for 2016.

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

**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, 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 | 830,608 | 16.69% | 33,860 | 4.25% |
| State Sources | 3,901,414 | 78.42% | (676,784) | -14.78% |
| Federal Sources | 243,447 | 4.89% | (15,500) | -5.99% |
| Total | \$ 4,975,469 | 100.00% | \$ (658,424) | |

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

| Expenditures | Amount | Percent of Total | Increase/ (Decrease) From 2016 | Percent of Increase/ (Decrease) |
|------------------|---------------------|---------------------|--------------------------------------|---------------------------------------|
| Instruction | \$ 1,819,457 | 37.37% | \$ (129,827) | -6.66% |
| Administration | 1,633,959 | 33.56% | (26,999) | -1.63% |
| Support Services | 976,357 | 20.06% | 195,292 | 25.00% |
| Capital Outlay | 438,558 | 9.01% | (886,256) | -66.90% |
| Total | \$ 4,868,331 | 100.00% | \$ (847,790) | |

Changes in expenditures were the results of varying factors. Current expense increased due to salary increases, additional staff and students, and increased health benefits and utility costs.

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

The Charter School had \$3,604,138 invested in capital assets at the end of the fiscal year 2017.

**QUEEN CITY ACADEMY CHARTER SCHOOL
PLAINFIELD, NEW JERSEY**

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

For the Future

The Queen City Academy Charter School is currently in good financial condition. There are several grants that will continue to impact the future of the school; the No Child Left Behind Grant (NCLB) and the Individuals with Disabilities Education Act Grant (IDEA). The Queen City Academy Charter School continues to provide a quality education experience and will increase the use of technology, utilizing new laptop computers purchased for classroom learning. The Charter School and its administration will continue to seek sound financial methods to insure that the operation of the Charter School remains efficient, while providing strong academic programming.

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. Charlene Jones, School Business Administrator/Board Secretary at Queen City Academy Charter School, 815 West 7th Street, Plainfield, New Jersey 07063.

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.

QUEEN CITY ACADEMY CHARTER SCHOOL
Statement of Net Position
June 30, 2017

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 973,063 | \$ 13,764 | \$ 986,827 |
| Interfund Receivables | 122,368 | | 122,368 |
| Receivables | 179,934 | 8,668 | 188,602 |
| Prepaid Expenses | 11,534 | | 11,534 |
| Capital Assets, Net | 3,604,138 | | 3,604,138 |
| Total Assets | 4,891,037 | 22,432 | 4,913,469 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pensions | 246,320 | | 246,320 |
| Total Deferred Outflows of Resources | 246,320 | | 246,320 |
| LIABILITIES: | | | |
| Interfund Payable | 122,008 | | 122,008 |
| Accounts Payable | 59,994 | | 59,994 |
| Accrued Expenses (Interest) | 78,492 | | 78,492 |
| Due Within One Year | 63,892 | | 63,892 |
| Due Beyond One Year | 2,203,678 | | 2,203,678 |
| Net Pension Liability | 769,511 | | 769,511 |
| Total Liabilities | 3,297,575 | - | 3,297,575 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pensions | 204,141 | | 204,141 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 1,462,062 | | 1,462,062 |
| Other Purposes | | | - |
| Unassigned | 173,579 | 22,432 | 196,011 |
| Total Net Position | \$ 1,635,641 | \$ 22,432 | \$ 1,658,073 |

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

QUEEN CITY ACADEMY CHARTER SCHOOL

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 | \$ 1,837,564 | \$ 398,152 | \$ - | \$ 112,376 | \$ - | \$ (2,123,340) | \$ - | \$ (2,123,340) |
| Administration | 1,528,212 | 130,968 | | | | (1,659,180) | | (1,659,180) |
| Support Services | 626,312 | 56,894 | | | | (683,206) | | (683,206) |
| Capital Outlay | | | | | | - | | - |
| Total Governmental Activities | <u>3,992,088</u> | <u>\$ 586,014</u> | <u>-</u> | <u>112,376</u> | <u>-</u> | <u>(4,465,726)</u> | <u>-</u> | <u>(4,465,726)</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | |
| Food Service | 119,244 | | 5,466 | 127,458 | | - | 13,680 | 13,680 |
| Total Business-Type Activities | <u>119,244</u> | | <u>5,466</u> | <u>127,458</u> | <u>-</u> | <u>-</u> | <u>13,680</u> | <u>13,680</u> |
| Total Primary Government | <u>\$ 4,111,332</u> | | <u>\$ 5,466</u> | <u>\$ 239,834</u> | <u>\$ -</u> | <u>\$ (4,465,726)</u> | <u>\$ 13,680</u> | <u>\$ (4,452,046)</u> |
| GENERAL REVENUES | | | | | | | | |
| General Purposes | | | \$ | 830,252 | \$ | - | \$ | 830,252 |
| Federal and State Aid Not Restricted | | | | 4,032,485 | | | | 4,032,485 |
| Investment Earnings | | | | 356 | | | | 356 |
| Total General Revenues | | | | <u>4,863,093</u> | | | | <u>4,863,093</u> |
| Change in Net Position | | | | 397,367 | | | 13,680 | 411,047 |
| Net Position - Beginning of Year | | | | 1,238,274 | | | 8,752 | 1,247,026 |
| Net Position - Ending | | | \$ | <u>1,635,641</u> | \$ | <u>22,432</u> | \$ | <u>1,658,073</u> |

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

QUEEN CITY ACADEMY CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2017

| | General Fund | Special Revenue Fund | Total |
|---|---------------------|----------------------------|---------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 898,063 | \$ - | \$ 898,063 |
| Restricted | 75,000 | | 75,000 |
| Interfund Receivables | 122,368 | | 122,368 |
| Receivables From Other Governments | | 122,008 | 122,008 |
| Receivables, Other | 57,926 | | 57,926 |
| Prepaid Expenses | 11,534 | | 11,534 |
| Total Current Assets | 1,164,891 | 122,008 | 1,286,899 |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Interfund Payables | \$ - | \$ 122,008 | \$ 122,008 |
| Accounts Payable | 59,994 | | 59,994 |
| Total Current Liabilities | 59,994 | 122,008 | 182,002 |
| Total Liabilities | 59,994 | 122,008 | 182,002 |
| Fund Balances: | | | |
| Unassigned: | | | |
| General Fund | 1,104,897 | | 1,104,897 |
| Total Fund Balances | 1,104,897 | - | 1,104,897 |
| Total Liabilities and Fund Balances | \$ 1,164,891 | \$ 122,008 | |
| Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$3,969,689 and the accumulated depreciation is \$365,551. | | | 3,604,138 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | | (2,346,062) |
| Net pension liability of \$769,511, deferred inflows of resources of \$204,141 less deferred outflows of resources of \$246,320 related to pensions are not reported in the governmental funds | | | (727,332) |
| Net Position of Governmental Activities | | | \$ 1,635,641 |

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

QUEEN CITY ACADEMY CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 For The Fiscal Year Ended June 30, 2017

| | General Fund | Special Revenue Fund | Total |
|-----------------------------|---------------------|----------------------------|---------------------|
| REVENUES: | | | |
| Local Sources: | | | |
| Local Tax Levy | \$ 830,252 | \$ - | \$ 830,252 |
| Interest on Investments | 356 | | 356 |
| Total Local Sources | 830,608 | - | 830,608 |
| State Sources | 3,901,414 | | 3,901,414 |
| Federal Sources | | 243,447 | 243,447 |
| Total Revenues | <u>4,732,022</u> | <u>243,447</u> | <u>4,975,469</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction | 1,622,102 | 197,355 | 1,819,457 |
| Administration | 1,633,959 | | 1,633,959 |
| Support Services | 930,265 | 46,092 | 976,357 |
| Capital Outlay | 438,558 | | 438,558 |
| Total Expenditures | <u>4,624,884</u> | <u>243,447</u> | <u>4,868,331</u> |
| NET CHANGE IN FUND BALANCES | 107,138 | - | 107,138 |
| FUND BALANCE, JULY 1 | <u>997,759</u> | <u>-</u> | <u>997,759</u> |
| FUND BALANCE, JUNE 30 | <u>\$ 1,104,897</u> | <u>\$ -</u> | <u>\$ 1,104,897</u> |

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

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

Total net change in fund balances - governmental fund (from B-2) \$ 107,138

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

Capital outlays are reported in governmental funds as expenditures.
 However, on the statement of activities, the cost of those assets is allocated
 over their estimated useful lives as depreciation expense. This is the amount
 by which depreciation exceeded capital outlays in the current fiscal year.

| | |
|----------------------|----------------|
| Depreciation Expense | (125,494) |
| Capital Outlay | <u>249,528</u> |

Repayment of mortgage principal is an expenditure in the governmental funds,
 but the repayment reduces long-term liabilities in the statement of net assets
 and is not reported in the statement of activities. 189,030

In the statement of activities, interest on long-term debt is accrued, regardless
 of when due. In the governmental funds, interest is reported when due.
 The accrued interest is normally a deduction in the reconciliation. (78,492)

Reversal of prior year accrued interest inasmuch as it was accrued in the prior
 but reversed and charged as an expense in the current year. This amount must
 be added back in order to reconcile to the beginning balance. 76,700

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
 the current and prior year net pension liability is recognized (21,043)

Change in net position of governmental activities \$ 397,367

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

PROPRIETARY FUNDS

QUEEN CITY ACADEMY CHARTER SCHOOL
Proprietary Fund
Statement of Net Position
June 30, 2017

| | Business-Type Activities Enterprise Funds Food Service |
|--|---|
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 13,764 |
| Intergovernmental Accounts Receivable: | |
| Federal | 8,524 |
| State | 144 |
| | 22,432 |
| Total Current Assets | |
| | 22,432 |
| Noncurrent Assets: | |
| Machinery and Equipment | 17,270 |
| Less Accumulated Depreciation | (17,270) |
| | - |
| Total Assets | |
| | 22,432 |
| LIABILITIES AND NET POSITION: | |
| Accounts Payable | |
| | - |
| Total Liabilities | |
| | - |
| NET POSITION: | |
| Unassigned | 22,432 |
| | 22,432 |
| Total Net Position | |
| | \$ 22,432 |

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

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

| | Business-Type Activities Enterprise Funds Food Service |
|-----------------------------------|---|
| OPERATING REVENUES: | |
| Charges for Services: | |
| Daily Sales Reimbursable Program | \$ 5,466 |
| Miscellaneous Income | |
| | |
| Total Operating Revenues | 5,466 |
| OPERATING EXPENSES: | |
| Supplies and Materials | 68 |
| Depreciation Expense | |
| Cost of Sales | 119,176 |
| | |
| Total Operating Expenses | 119,244 |
| OPERATING LOSS | (113,778) |
| NONOPERATING REVENUES: | |
| State Source: | |
| State School Lunch Program | 2,127 |
| Federal Source: | |
| National School Breakfast Program | |
| National School Lunch Program | 125,331 |
| | |
| Total Nonoperating Revenues | 127,458 |
| CHANGE IN NET POSITION | 13,680 |
| TOTAL NET POSITION, JULY 1 | 8,752 |
| TOTAL NET POSITION, JUNE 30 | \$ 22,432 |

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

QUEEN CITY ACADEMY CHARTER SCHOOL
Proprietary Fund
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

| | Business-Type Activities Enterprise Funds Food Service |
|---|---|
| | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash Received from Customers | \$ 8,437 |
| Cash Payments to Suppliers and Employees | (131,253) |
| | (122,816) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Cash Received From State And Federal Reimbursements | 127,458 |
| | 127,458 |
| Net Cash Provided By Noncapital Financing Activities | 127,458 |
| Net Increase (Decrease) In Cash And Cash Equivalents | 4,642 |
| Cash And Cash Equivalents, Beginning Of Year | 9,122 |
| Cash And Cash Equivalents, End Of Year | \$ 13,764 |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | |
| Operating Loss Used In Operating Activities | \$ (113,778) |
| Depreciation | 2,971 |
| Decrease In Receivables From Other Governments | (12,009) |
| | (12,009) |
| Net Cash Used In Operating Activities | \$ (122,816) |

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

FIDUCIARY FUNDS

QUEEN CITY ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2017

| | <u>Unemployment Compensation Trust</u> | <u>Private Purpose Scholarship Fund</u> | <u>Agency Fund</u> |
|--|--|---|------------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 1,724 | \$ 2,809 | \$ 5,148 |
| Total Assets | <u>1,724</u> | <u>2,809</u> | <u>\$ 5,148</u> |
| LIABILITIES: | | | |
| Accrued Salaries and Benefits Due to Student Groups | | | 200 <u>4,588</u> |
| Total Liabilities | <u>385</u> | <u>-</u> | <u>\$ 5,148</u> |
| NET POSITION: | | | |
| Held in Trust for Claims | <u>1,339</u> | <u>2,809</u> | |
| Total Net Position | <u>\$ 1,339</u> | <u>\$ 2,809</u> | |

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

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

| | Unemployment Compensation Trust | Private Purpose Scholarship Fund |
|-------------------------|---------------------------------------|--|
| | <u> </u> | <u> </u> |
| ADDITIONS: | | |
| Contributions | \$ 24,441 | |
| | <u> </u> | <u> </u> |
| Total Additions | 24,441 | - |
| | <u> </u> | <u> </u> |
| DEDUCTIONS: | | |
| Payment of Claims | 32,873 | |
| Payment of Scholarships | | 500 |
| | <u> </u> | <u> </u> |
| Total Deductions | 32,873 | 500 |
| | <u> </u> | <u> </u> |
| CHANGE IN NET POSITION | (8,432) | (500) |
| NET POSITION, JULY 1 | 9,771 | 3,309 |
| | <u> </u> | <u> </u> |
| NET POSITION, JUNE 30 | <u>\$ 1,339</u> | <u>\$ 2,809</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Queen City Academy Charter School 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 accounting policies of the Charter School are described below.

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. The Queen City Academy Charter School 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.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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.

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 subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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 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 fund:

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.

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 and includes Student Activities Fund, Payroll and Payroll Agency Funds.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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. Charter Schools also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow FASB guidance issued subsequent to November 30, 1989.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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:

| | 2017 | 2016 |
|--|------------|------------|
| Total Revenues & Expenditures (Budgetary Basis) | \$ 243,447 | \$ 258,947 |
| Adjustments: | | |
| Less Encumbrances at June 30, 2017 | - | - |
| Plus Encumbrances at June 30, 2016 | - | - |
| Total Revenues and Expenditures (GAAP Basis) | \$ 243,447 | \$ 258,947 |

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 revenues 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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.

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 and construction in progress 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> |
|-----------------------------|-----------------------------------|
| School Buildings | 39 |
| Building Improvements | 20 |
| Electrical/Plumbing | 20 |
| Office & Computer Equipment | 5-10 |

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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 recorded as deferred revenue.

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.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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 Nonexchange 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Nonexchange Transactions: (Continued)

Nonexchange 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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.

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

Adopted Accounting Pronouncements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Adopted Accounting Pronouncements (Continued)

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

Recently Issued and Adopted Accounting Pronouncements

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

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

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

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

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and*

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

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

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

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

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

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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

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 schools 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.

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.

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.

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

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

Investments (Continued)

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

| | General Fund | Special Revenue | Proprietary Fund | Fiduciary Funds | Total |
|-----------|-----------------|--------------------|---------------------|--------------------|------------|
| Operating | | | | | |
| Account | \$ 973,063 | \$ - | \$ 13,764 | \$ 9,681 | \$ 996,508 |

The carrying amount of the Board’s cash and cash equivalents at June 30, 2017 was \$996,508 and the bank balance was \$1,126,815. 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.

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”

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

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

New Jersey Cash Management Fund (Continued)

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.

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 | \$ 57,926 | \$ 58,070 |
| Federal Aid | 122,008 | 130,532 |
| Other | - | - |
| Gross Receivables | 179,934 | 188,602 |
| Less: Allowance for Uncollectibles | - | - |
| Total Receivables, Net | \$ 179,934 | \$ 188,602 |

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 | \$ 122,368 | \$ - |
| Special Revenue Fund | | 122,008 |
| Fiduciary Fund | | 360 |
| Total | \$ 122,368 | \$ 122,368 |

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

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land and Land Improvements | \$ 153,452 | \$ - | \$ - | \$ 153,452 |
| Total Capital Assets Not Being Depreciated | <u>153,452</u> | <u>-</u> | <u>-</u> | <u>153,452</u> |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Building and Building Improvements | \$ 3,552,719 | 249,528 | - | 3,802,247 |
| Machinery and Equipment | 13,990 | - | - | 13,990 |
| Totals at Historical Cost | <u>3,566,709</u> | <u>249,528</u> | <u>-</u> | <u>3,816,237</u> |
| Less Accumulated Depreciation For: | | | | |
| Building and Building Improvements | 226,067 | 125,494 | - | 351,561 |
| Machinery and Equipment | 13,990 | - | - | 13,990 |
| Total Accumulated Depreciation | <u>240,057</u> | <u>125,494</u> | <u>-</u> | <u>365,551</u> |
| Total Capital Assets Being Depreciated, Net of Accumulated Depreciation | <u>3,326,652</u> | <u>124,034</u> | <u>-</u> | <u>3,450,686</u> |
| Government Activity Capital Assets, Net | <u>\$ 3,480,104</u> | <u>\$ 124,034</u> | <u>\$ -</u> | <u>\$ 3,604,138</u> |
| Business-Type Activities: | | | | |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Machinery and Equipment | \$ 17,270 | \$ - | \$ - | \$ 17,270 |
| Less Accumulated Depreciation | (17,270) | - | - | (17,270) |
| Enterprise Fund Capital Assets, Net | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

Depreciation expense of \$125,494 was charged to governmental expenses as follows:

| | |
|----------------|-------------------|
| Instruction | \$ 23,844 |
| Administration | <u>101,650</u> |
| | <u>\$ 125,494</u> |

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

NOTE 6: PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

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.

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

NOTE 6: 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. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension

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

NOTE 6: PENSION PLANS (CONTINUED)

Contributions (Continued)

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

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

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. The Charter School contributions to PERS amounted to \$23,082 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 \$769,511 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 which was rolled forward to June 30, 2017. 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 0.0025981958%, which was a decrease of -0.00125266% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2016, the Charter School recognized pension expense of \$33,107. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

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

NOTE 6: PENSION PLANS (CONTINUED)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Changes in Assumptions | \$ 159,402 | \$ - |
| Changes in Proportion | 43,265 | 204,141 |
| Difference between Expected and Actual Experience | 14,311 | |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | 29,342 | |
| | \$ 246,320 | \$ 204,141 |

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 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 | \$ 45,716 |
| 2018 | 45,716 |
| 2019 | 52,963 |
| 2020 | 44,497 |
| 2021 | 14,162 |
| | \$ 203,054 |

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was

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

NOTE 6: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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% |

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are setback 4 years for males and in addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

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

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

NOTE 6: 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. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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 | \$ 942,946 | \$ 769,511 | \$ 626,326 |

| | 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 | \$ 724,900 | \$ 583,243 | \$ 464,479 |

Pension Plan Fiduciary Net Position

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

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

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,

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

NOTE 6: PENSION PLANS (CONTINUED)

Benefit Provided (Continued)

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 | 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 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. 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.

Allocation Methodology

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

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

NOTE 6: PENSION PLANS (CONTINUED)

Contributions

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

Special Funding Situation

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2017, the State of New Jersey contributed \$0 to the TPAF for normal pension benefits on behalf of the Charter School, which is greater than the contractually required contribution of \$124,444.

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

As June 30, 2017, the State's proportionate share of the net pension liability associated with the Charter School was \$12,292,264. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017.

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, 2017, Charter School's proportion was 0.0156258186%, which was an increase of 0.0010408% from its proportion measured as of June 30, 2016.

| | | |
|---|----|------------|
| Charter School's Proportionate Share of the Net Pension Liability | \$ | - |
| State's Proportionate Share of the Net Pension Liability Associated with the District | | 12,292,264 |
| Total | \$ | 12,292,264 |

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

NOTE 6: PENSION PLANS (CONTINUED)

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

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the Charter School in the amount of \$9,218,361 and the Charter School recognized pension expense and revenue for \$12,292,264 in the fiscal year ended June 30, 2016 financial statements.

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

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

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

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

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

NOTE 6: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2016 is summarized in the following table:

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

NOTE 6: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return

| 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. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rates in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

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

NOTE 6: 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:

| | Fiscal Year Ended June 30, 2016 | | |
|---|---------------------------------|--------------------------|---------------------|
| | 1% | Current | 1% |
| | Decrease (2.22%) | Discount Rate (3.22%) | Increase (4.22%) |
| Charter School's proportionate share of the Net Pension Liability | \$ 14,747,363 | \$ 12,348,914 | \$ 10,390,271 |

| | Fiscal Year Ended June 30, 2015 | | |
|---|---------------------------------|--------------------------|---------------------|
| | 1% | Current | 1% |
| | Decrease (3.13%) | Discount Rate (4.13%) | Increase (5.13%) |
| Charter School's proportionate share of the Net Pension Liability | \$ 11,806,855 | \$ 9,931,437 | \$ 8,321,469 |

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.

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

NOTE 6: 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 pension expense of \$358.15 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$656.67 for the fiscal year ended June 30, 2017.

NOTE 7: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. 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 premiums 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 20,045 eligible retired members in Fiscal Year 2016.

NOTE 8: 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.

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

NOTE 8: RISK MANAGEMENT (CONTINUED)

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The following table is a summary of the Charter School's contributions, employee contributions, reimbursements to the State for benefits aid and the ending balance of the Charter School's trust fund for the current and previous two years:

| <u>Fiscal Year</u> | <u>Charter School Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|---|-----------------------------------|------------------------------|---------------------------|
| 2016-2017 | \$ 19,597 | \$ 4,844 | \$ 32,873 | \$ 1,339 |
| 2015-2016 | 3,124 | 4,992 | 275 | 9,770 |
| 2014-2015 | 14,800 | 29,239 | 20,098 | 14,729 |

NOTE 9: FUND BALANCE APPROPRIATED

General Fund

Of the \$1,104,897 General Fund balance in the fund financial statements at June 30, 2017, \$1,104,897 is unreserved and undesignated. Of the remaining General Fund balance, \$75,000 is Reserved for Other Purposes, and \$0 is Reserved for Encumbrances.

NOTE 10: SUBSEQUENT EVENTS

None

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

QUEEN CITY ACADEMY CHARTER SCHOOL
 General Fund
 Budgetary Comparison Schedule
 For The Fiscal Year Ended June 30, 2017

C-1
 Sheet 1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|------------|-----------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Equalization Aid Local Share-Charter School Aid | \$ 830,252 | \$ - | \$ 830,252 | \$ 830,252 | \$ - |
| Total Local Sources | 830,252 | - | 830,252 | 830,252 | - |
| Categorical Aid: | | | | | |
| Equalization Aid | 3,056,974 | | 3,056,974 | 3,056,974 | - |
| Special Education | 112,376 | | 112,376 | 112,376 | - |
| Security Aid | 103,151 | | 103,151 | 103,151 | - |
| Other State Aid | 156,364 | | 156,364 | 156,364 | - |
| Total Categorical Aid | 3,428,865 | - | 3,428,865 | 3,428,865 | - |
| Other Sources: | | | | | |
| Interest Income | | | | 356 | 356 |
| Donations and Contributions | | | | | |
| Miscellaneous Revenue | | | | | |
| On-Behalf TPAF Pension Aid (Non-Budgeted) | | | | 179,839 | 179,839 |
| On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted) | | | | 149,847 | 149,847 |
| On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted) | | | | 1,386 | 1,386 |
| Reimbursed TPAF Social Security Contributions (Non-Budgeted) | | | | 141,477 | 141,477 |
| Total Other Sources | - | - | - | 472,905 | 472,905 |
| Total Revenues | 4,259,117 | - | 4,259,117 | 4,732,022 | 472,905 |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | 1,565,863 | (72,997) | 1,492,866 | 1,492,663 | 203 |
| Other Salaries for Instruction | 191,000 | (126,845) | 64,155 | 54,891 | 9,264 |
| Purchased Prof/Tech Services | | 4,250 | 4,250 | 4,250 | - |
| Other Purchased Services | 1,000 | 200 | 1,200 | 1,200 | - |
| General Supplies | 58,500 | (5,000) | 53,500 | 52,822 | 678 |
| Textbooks | 18,000 | (9,930) | 8,070 | 8,069 | 1 |
| Miscellaneous | 50,000 | (29,000) | 21,000 | 8,207 | 12,793 |
| Total Instruction | 1,884,363 | (239,322) | 1,645,041 | 1,622,102 | 22,939 |
| Administration: | | | | | |
| Salaries - General Administration | | | - | | |
| Salaries of Principals | 250,400 | (15,000) | 235,400 | 235,400 | - |
| Salaries of Other Professional Staff | 208,930 | | 208,930 | 198,266 | 10,664 |
| Salaries of Secretarial/Clerical Assistants | 164,330 | 1,500 | 165,830 | 161,027 | 4,803 |
| Total Benefits Cost | 307,437 | (8,240) | 299,197 | 264,697 | 34,500 |
| Purchases Prof/Tech Services | 195,807 | 109,159 | 304,966 | 300,806 | 4,160 |
| Communications/Telephone | 20,500 | | 20,500 | 20,133 | 367 |
| Supplies and Materials | 40,000 | 500 | 40,500 | 28,622 | 11,878 |
| Interest on Current Loans | 85,000 | | 85,000 | 78,492 | 6,508 |
| Miscellaneous Expenses | 24,000 | 1,245 | 25,245 | 25,200 | 45 |
| Total Administration | 1,296,404 | 89,164 | 1,385,568 | 1,312,643 | 72,925 |

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

QUEEN CITY ACADEMY CHARTER SCHOOL
 General Fund
 Budgetary Comparison Schedule
 For The Fiscal Year Ended June 30, 2017

C-1
 Sheet 2

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| (Continued From Prior Page) | | | | | |
| Support Services: | | | | | |
| Salaries | \$ 127,100 | | \$ 127,100 | \$ 127,052 | \$ 48 |
| Purchased Prof/Tech Services | 6,000 | (2,400) | 3,600 | 3,593 | 7 |
| Purchased Prof/Ed Services | 209,500 | 45,481 | 254,981 | 248,959 | 6,022 |
| Cleaning, Repair, and Maintenance Services | 208,000 | 24,776 | 232,776 | 232,776 | - |
| Other Purchased Services | 13,750 | (7,000) | 6,750 | 6,436 | 314 |
| Transportation-Other Than To/From School | 12,200 | | 12,200 | 11,461 | 739 |
| Insurance for Property, Liability and Fidelity | 42,200 | 1,155 | 43,355 | 43,354 | 1 |
| Supplies and Materials | 45,000 | (2,596) | 42,404 | 41,659 | 745 |
| Energy Costs (Heat and Electricity) | 53,000 | 5,742 | 58,742 | 58,742 | - |
| Miscellaneous Expenses | 20,000 | (15,000) | 5,000 | 5,000 | - |
| Total Support Services | 736,750 | 50,158 | 786,908 | 779,032 | 7,876 |
| Capital Outlay: | | | | | |
| Non-Instructional Equipment | | | | | |
| Purchased of Land/Improvements | 250,000 | | 250,000 | 249,528 | 472 |
| Lease Purchase Agreements-Principal | 91,600 | 100,000 | 191,600 | 189,030 | 2,570 |
| Total Capital Outlay | 341,600 | 100,000 | 441,600 | 438,558 | 3,042 |
| On-Behalf TPAF Pension Contributions (Non-Budgeted) | | | | 179,839 | (179,839) |
| On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted) | | | | 149,847 | (149,847) |
| On-Behalf TPAF Long-Term Disability Contributions (Non-Budgeted) | | | | 1,386 | (1,386) |
| Reimbursed TPAF Social Security Contributions (Non-Budgeted) | | | | 141,477 | (141,477) |
| Total Expenditures | 4,259,117 | - | 4,259,117 | 4,624,884 | (365,767) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | 107,138 | 107,138 |
| FUND BALANCE, JULY 1 | 1,038,252 | - | 1,038,252 | 997,759 | 40,493 |
| FUND BALANCE, JUNE 30 | \$ 1,038,252 | \$ - | \$ 1,038,252 | \$ 1,104,897 | \$ 147,631 |
| Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures: Budgeted Fund Balance | \$ 1,038,252 | \$ - | \$ 1,038,252 | \$ 1,104,897 | \$ 66,645 |
| Total | \$ 1,038,252 | \$ - | \$ 1,038,252 | \$ 1,104,897 | \$ 66,645 |

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

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

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|----------------|-----------------------------|
| REVENUE SOURCES: | | | | | |
| Federal | 267,852 | (24,405) | 243,447 | 243,447 | - |
| Total Revenues | <u>267,852</u> | <u>(24,405)</u> | <u>243,447</u> | <u>243,447</u> | <u>-</u> |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries | 147,098 | (6,066) | 141,032 | 141,032 | - |
| Other Salaries for Instruction | 4,000 | 5,016 | 9,016 | 9,016 | - |
| Purchased Prof/Tech Services | | 138 | 138 | 138 | - |
| Other Purchased Services | 14,284 | | 14,284 | 14,284 | - |
| General Supplies | 60,778 | (29,634) | 31,144 | 31,144 | - |
| Other Objects | | 1,741 | 1,741 | 1,741 | - |
| Total Instruction | <u>226,160</u> | <u>(28,805)</u> | <u>197,355</u> | <u>197,355</u> | <u>-</u> |
| Support Services: | | | | | |
| Personal Services - Employee Benefits | 34,172 | (701) | 33,471 | 33,471 | - |
| Purchased Prof/Ed Services | 666 | (666) | - | - | - |
| Other Purchased Prof/Tech Services | | 5,434 | 5,434 | 5,434 | - |
| Other Purchased Services | 2,800 | | 2,800 | 2,800 | - |
| Supplies and Materials | 4,054 | 333 | 4,387 | 4,387 | - |
| Total Support Services | <u>41,692</u> | <u>4,400</u> | <u>46,092</u> | <u>46,092</u> | <u>-</u> |
| Total Expenditures | <u>267,852</u> | <u>(24,405)</u> | <u>243,447</u> | <u>243,447</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

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

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

| | General Fund | Special Revenue Fund |
|---|--------------------|----------------------------|
| Sources/Inflows of Resources | | |
| Actual amounts (budgetary) "revenues" from the budgetary comparison schedules | [C-1] \$ 4,732,022 | [C-2] \$ 243,447 |
| Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized | | - |
| Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds. | [B-2] \$ 4,732,022 | [B-2] \$ 243,447 |
| Uses/Outflows of resources | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] \$ 4,624,884 | [C-2] \$ 243,447 |
| Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes. | | - |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | [B-2] \$ 4,624,884 | [B-2] \$ 243,447 |

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

QUEEN CITY ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 2 FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | |
|---|-----------------------------|---------------|---------------|
| | 2014 | 2015 | 2016 |
| Charter School's proportion of the net pension liability | 0.00314858% | 0.0038508521% | 0.0025981958% |
| Charter School's proportionate share of the net pension liability | \$ 666,211 | \$ 864,439 | \$ 769,511 |
| Charter School's covered employees payroll | \$ 187,326 | \$ 254,826 | \$ 249,099 |
| Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll | 356% | 339% | 309% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.08% | 47.93% | 45.35% |

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

**QUEEN CITY ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 2 FISCAL YEARS
UNAUDITED**

| | Fiscal Year Ending June 30, | | |
|--|-----------------------------|-------------|-------------|
| | 2014 | 2015 | 2016 |
| Contractually required contribution | \$ 26,265 | \$ 33,107 | \$ 23,082 |
| Contributions in relation to the contractually required contribution | (26,265) | (33,107) | (23,082) |
| Contribution deficiency/(excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Charter School's covered employee payroll | \$ 187,326 | \$ 254,826 | \$ 249,099 |
| Contributions as a percentage of covered employee payroll | 14.02% | 12.99% | 9.27% |

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

QUEEN CITY ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST 2 FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | |
|--|-----------------------------|---------------|---------------|
| | 2014 | 2015 | 2016 |
| State's proportion of the net pension liability attributable of the Charter School | 0.0145850281% | 0.0145850281% | 0.0156258186% |
| State's proportionate share of the net pension liability attributable to the Charter School | \$ 6,973,654 | \$ 8,189,473 | \$ 9,218,361 |
| CS / District's covered employees payroll | \$ 1,509,196 | \$ 1,437,206 | \$ 1,870,182 |
| Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll | 462.08% | 569.82% | 492.91% |
| Plan fiduciary net position as a p ercentage of the total pension liability | 33.64% | 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

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

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.90% as of June 30, 2016 to 3.98% as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

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

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.13% as of June 30, 2016 to 3.22% as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

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

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

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

| | NCLB Title I | NCLB Title I Carryover | NCLB Title III | I.D.E.A. Part B | NCLB Title II Part A | Grand Total |
|---|-----------------|------------------------------|-------------------|--------------------|----------------------------|----------------|
| REVENUE SOURCES: | | | | | | |
| Federal | \$ 124,835 | \$ 41,001 | \$ 8,454 | \$ 64,676 | \$ 4,481 | \$ 243,447 |
| Total Revenues | 124,835 | 41,001 | 8,454 | 64,676 | 4,481 | 243,447 |
| EXPENDITURES: | | | | | | |
| Instruction: | | | | | | |
| Salaries | 69,333 | 19,668 | | 52,031 | | 141,032 |
| Other Salaries for Instruction | 7,255 | | 1,761 | | | 9,016 |
| Purchased Prof/Tech Services | | | 138 | | | 138 |
| Other Purchased Services | 14,284 | | | | | 14,284 |
| General Supplies | 7,557 | 21,333 | 2,254 | | | 31,144 |
| Other Objects | | 1,741 | | | | 1,741 |
| Total Instruction | 98,429 | 41,001 | 5,894 | 52,031 | - | 197,355 |
| Support Services: | | | | | | |
| Personal Services - Employee Benefits | 19,786 | | 1,040 | 12,645 | | 33,471 |
| Other Purchased Prof/Tech Services | | | 953 | | 4,481 | 5,434 |
| Other Purchased Services | 2,800 | | | | | 2,800 |
| Supplies and Materials | 3,820 | | 567 | | | 4,387 |
| Total Support Services | 26,406 | - | 2,560 | 12,645 | 4,481 | 46,092 |
| Total Expenditures | 124,835 | 41,001 | 8,454 | 64,676 | 4,481 | 243,447 |
| Total Outflows | 124,835 | 41,001 | 8,454 | 64,676 | 4,481 | 243,447 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENTS**

Fiduciary Funds are used to account for funds received by the 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.

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 Fund – this agency fund is used to account for payroll transactions of the Charter School.

QUEEN CITY ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2017

| | Trust | | Agency | | | | Total Agency Fund |
|---|---------------------------|-----------------------------|------------------|----------------|-------------|--------------------|-------------------|
| | Unemployment Compensation | Private Purpose Scholarship | Total Trust Fund | Payroll Agency | Net Payroll | Student Activities | |
| ASSETS: | | | | | | | |
| Cash and Cash Equivalents | \$ 1,724 | \$ 2,809 | \$ 4,533 | \$ 360 | \$ 200 | \$ 4,588 | \$ 5,148 |
| Total Assets | <u>1,724</u> | <u>2,809</u> | <u>4,533</u> | <u>360</u> | <u>200</u> | <u>4,588</u> | <u>5,148</u> |
| LIABILITIES: | | | | | | | |
| Liabilities: | | | | | | | |
| Interfund Accounts Payable | | | | 360 | - | | \$ 360 |
| Accounts Payable | 385 | | 385 | - | 200 | - | 200 |
| Accrued Salaries and Benefits Due to Student Groups | | | | | | 4,588 | 4,588 |
| Total Liabilities | <u>385</u> | <u>-</u> | <u>385</u> | <u>360</u> | <u>200</u> | <u>4,588</u> | <u>5,148</u> |
| NET POSITION: | | | | | | | |
| Held in Trust for Claims | <u>1,339</u> | <u>2,809</u> | <u>4,148</u> | | | | |
| Total Net Position | <u>\$ 1,339</u> | <u>\$ 2,809</u> | <u>\$ 4,148</u> | | | | |

QUEEN CITY ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2017

| | Unemployment Compensation Trust | Private Purpose Scholarship Fund | Total Trusts |
|-------------------------|---------------------------------------|--|-----------------|
| ADDITIONS: | | | |
| Contributions | \$ 24,441 | | \$ 24,441 |
| Total Additions | 24,441 | - | 24,441 |
| DEDUCTIONS: | | | |
| Payment of Claims | 32,873 | | 32,873 |
| Payment of Scholarships | | 500 | 500 |
| Total Deductions | 32,873 | 500 | 33,373 |
| CHANGE IN NET POSITION | (8,432) | (500) | (8,932) |
| NET POSITION, JULY 1 | 9,771 | 3,309 | 13,080 |
| NET POSITION, JUNE 30 | <u>\$ 1,339</u> | <u>\$ 2,809</u> | <u>\$ 4,148</u> |

QUEEN CITY ACADEMY CHARTER SCHOOL

Fiduciary Fund

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2017

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Cash</u> <u>Receipts</u> | <u>Cash</u> <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2017</u> |
|----------------|---------------------------------------|--------------------------------|-------------------------------------|--|
| Student Groups | \$ 54 | \$ 10,136 | \$ 5,602 | \$ 4,588 |
| Totals | <u>\$ 54</u> | <u>\$ 10,136</u> | <u>\$ 5,602</u> | <u>\$ 4,588</u> |

QUEEN CITY ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For The Fiscal Year Ended June 30, 2017

| | Balance July 1, 2016 | Cash Receipts | Cash Disbursements | Balance June 30, 2017 |
|-------------------------------------|-------------------------|---------------------|-----------------------|--------------------------|
| Interfund Accounts Payable | \$ - | \$ 48,372 | \$ 48,012 | \$ 360 |
| Payroll Deductions and Withholdings | - | 1,043,762 | 1,043,762 | - |
| Totals | \$ - | \$ 1,092,134 | \$ 1,091,774 | \$ 360 |

SECTION I – LONG TERM DEBT

QUEEN CITY ACADEMY CHARTER SCHOOL
 Schedule of Notes Payable
 June 30, 2017

| Issue | Date of Issue | Amount of Issue | Interest Rate | Balance June 30, 2016 | Issued | Retired | Balance June 30, 2017 |
|-------------------|---------------|-----------------|---------------|-----------------------|----------|-------------------|-----------------------|
| Mortgage | 4/18/13 | \$ 2,050,000 | 2.87% | \$ 1,864,959 | - | \$ 62,062 | \$ 1,802,897 |
| Construction Loan | 7/27/15 | \$ 700,000 | 4.25% | 591,641 | | \$ 126,968 | \$ 464,673 |
| | | | | <u>\$ 2,456,600</u> | <u>-</u> | <u>\$ 189,030</u> | <u>\$ 2,267,570</u> |

STATISTICAL SECTION (UNAUDITED)

Queen City Academy Charter School has been in operation for ten (10) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Statistical data for ten (10) years is available and 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, 2006; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

QUEEN CITY ACADEMY CHARTER SCHOOL

Fund Balances - Government Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

| | Fiscal Year Ending June 30, | | | | | | | | | |
|--|-----------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | 1,462,062 | 1,023,477 | \$ 489,014 | \$ 492,256 | \$ 498,222 | \$ 3,150 | \$ 4,549 | \$ 5,948 | \$ 7,347 | \$ 8,746 |
| Restricted | - | 75,000 | 75,000 | 258,999 | 465,637 | 350,000 | 115,114 | - | 10,274 | - |
| Unassigned | 173,579 | 139,797 | 273,742 | 638,175 | 433,543 | 776,997 | 712,558 | 586,798 | 415,700 | 155,543 |
| Total Governmental Activities Net Position | \$ 1,635,641 | \$ 1,238,274 | \$ 837,756 | \$ 1,389,430 | \$ 1,397,402 | \$ 1,130,147 | \$ 832,221 | \$ 592,746 | \$ 433,321 | \$ 164,289 |
| Business-Type Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ - | \$ - | \$ 521 | \$ 2,548 | \$ 5,562 | \$ 8,577 | \$ 11,591 | \$ 9,099 | \$ 660 | \$ 660 |
| Unassigned | 22,432 | 8,752 | 7,838 | 13,432 | 14,072 | 22,282 | 18,308 | 20,880 | 23,432 | 23,432 |
| Total Business-Type Activities Net Position | \$ 22,432 | \$ 8,752 | \$ 8,359 | \$ 15,980 | \$ 19,634 | \$ 30,859 | \$ 29,899 | \$ 29,979 | \$ 24,092 | \$ 24,092 |
| Charter School-wide | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 1,462,062 | \$ 1,023,477 | \$ 489,535 | \$ 494,804 | \$ 503,784 | \$ 11,727 | \$ 16,140 | \$ 15,047 | \$ 8,007 | \$ 9,406 |
| Restricted | - | 75,000 | 75,000 | 258,999 | 465,637 | 350,000 | 115,114 | - | 10,274 | - |
| Unassigned | 196,011 | 148,549 | 281,580 | 651,607 | 447,615 | 799,279 | 730,866 | 607,678 | 439,132 | 178,975 |
| Total Charter School-wide Activities Net Position | \$ 1,658,073 | \$ 1,247,026 | \$ 846,115 | \$ 1,405,410 | \$ 1,417,036 | \$ 1,161,006 | \$ 862,120 | \$ 622,725 | \$ 457,413 | \$ 188,381 |

QUEEN CITY ACADEMY CHARTER SCHOOL
 Fund Balances - Government Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

| | Fiscal Year Ending June 30, | | | | | | | | | |
|--|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Instruction | \$ 2,235,716 | \$ 2,415,319 | \$ 2,040,132 | \$ 2,004,605 | \$ 1,933,612 | \$ 1,843,946 | \$ 1,668,995 | \$ 1,510,441 | \$ 1,279,752 | \$ 1,682,061 |
| Administration | 1,580,688 | 1,338,523 | 968,165 | 1,095,401 | 945,317 | 851,886 | 798,793 | 609,969 | 481,354 | 491,705 |
| Support Services | 683,206 | 670,667 | 567,190 | 559,380 | 752,807 | 712,861 | 722,926 | 834,671 | 765,839 | 1,029,833 |
| Capital Outlay | - | 700,000 | 154,017 | 271,256.00 | 522,425 | 15,000 | - | 11,270 | 7,404.00 | - |
| Interest on Long-Term Debt | 78,492 | 76,700 | 56,949 | 58,626 | 2,144 | - | - | - | - | - |
| Total Governmental Activities Expenses | \$ 4,578,102 | \$ 5,201,409 | \$ 3,786,453 | \$ 3,989,268 | \$ 4,156,305 | \$ 3,423,693 | \$ 3,190,714 | \$ 2,866,351 | \$ 2,554,349 | \$ 3,213,599 |
| Business-Type Activities: | | | | | | | | | | |
| Food Service/Clubhouse | 119,244 | 122,903 | 104,281 | 100,819 | 104,852 | 97,522 | 80,067 | 69,717 | 63,173 | 114,782 |
| Total Business-Type Activities Expenses | 119,244 | 122,903 | 104,281 | 100,819 | 104,852 | 97,522 | 80,067 | 69,717 | 63,173 | 114,782 |
| Total Charter School Expenses | \$ 4,697,346 | \$ 5,324,312 | \$ 3,890,734 | \$ 4,090,087 | \$ 4,261,157 | \$ 3,521,215 | \$ 3,270,781 | \$ 3,036,068 | \$ 2,617,522 | \$ 3,328,381 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Operating Grants and Contributions | 112,376 | 115,403.00 | 76,276 | - | 41,798 | 28,120 | 23,195 | 30,927 | 26,924 | 23,208 |
| Total Government Activities Expenses | 112,376 | 115,403 | 76,276 | - | 41,798 | 28,120 | 23,195 | 30,927 | 26,924 | 23,208 |
| Business-Type Activities | | | | | | | | | | |
| Charges for Services | 5,466 | 6,935 | 4,318 | 5,717 | 10,496 | 12,196 | 8,210 | 7,646 | 10,043 | 42,481 |
| Operating Grants and Contributions | 127,458 | 116,313 | 92,196 | 91,258 | 76,652 | 81,453 | 71,733 | 58,410 | 58,127 | 60,684 |
| Total Business-Type Activities Expenses | 132,924 | 123,248 | 96,514 | 96,975 | 87,148 | 93,649 | 79,943 | 66,056 | 68,170 | 103,165 |
| Total Charter School Program Revenues | \$ 245,300 | \$ 238,651 | \$ 172,790 | \$ 96,975 | \$ 128,946 | \$ 121,769 | \$ 103,138 | \$ 96,983 | \$ 95,094 | \$ 126,373 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (4,465,726) | (5,086,006) | (3,710,177) | (3,989,268) | (4,114,507) | (3,395,573) | (3,167,519) | (2,935,424) | (2,527,425) | (3,190,391) |
| Business-Type Activities | 13,680 | 345 | (7,767) | (3,844) | (17,704) | (3,873) | (124) | 4,997 | (3,661) | (11,617) |
| Total Charter School-wide Net Expense | (4,452,046) | (5,085,661) | (3,717,944) | (3,993,112) | (4,132,211) | (3,399,446) | (3,167,643) | (2,930,427) | (2,531,086) | (3,202,008) |
| General Revenues and Other Changes in Net Assets/Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Purposes | \$ 830,252 | \$ 790,442 | \$ 624,001 | \$ 623,795 | \$ 646,188 | \$ 588,792 | \$ 512,717 | \$ 473,570 | \$ 429,122 | \$ 653,283 |
| Federal and State Aid Not Restricted | 4,032,485 | 4,721,742 | 3,207,165 | 3,285,815 | 3,210,107 | 3,078,222 | 2,881,549 | 2,582,235 | 2,354,086 | 2,652,157 |
| Investment Earnings | 356 | 314 | 214 | 85 | - | 596 | 1,092 | 1,248 | 1,027 | 3,013 |
| Miscellaneous Income | - | 5,992 | 1,419 | 12,577 | 16,174 | 25,889 | 11,636 | 37,796 | 12,222 | 4,910 |
| Total Governmental Activities | 4,863,093 | 5,518,490 | 3,832,799 | 3,922,272 | 3,872,469 | 3,693,499 | 3,406,934 | 3,094,849 | 2,796,457 | 3,213,363 |
| Business-Type Activities: | | | | | | | | | | |
| Federal and State Aid Not Restricted | - | - | - | - | - | - | - | 9,500 | - | - |
| Investment Earnings | - | - | - | - | - | 16 | 45 | 48 | 12 | - |
| Miscellaneous Income | - | 47 | 146 | 191 | 2,380 | 4,816 | - | - | - | 576 |
| Total Business-Type Activities | - | 47 | 146 | 191 | 2,380 | 4,832 | 45 | 9,548 | 12 | 576 |
| Total Charter School-wide | \$ 4,863,093 | \$ 5,518,537 | \$ 3,832,945 | \$ 3,922,463 | \$ 3,874,849 | \$ 3,698,331 | \$ 3,407,039 | \$ 3,104,397 | \$ 2,796,469 | \$ 3,213,939 |
| Change in Net Assets/Position | | | | | | | | | | |
| Governmental Activities | \$ 397,367 | \$ 432,484 | \$ 122,622 | \$ (66,996) | \$ (242,038) | \$ 297,926 | \$ 239,475 | \$ 159,425 | \$ 269,032 | \$ 22,972 |
| Business-Type Activities | 13,680 | 392 | (7,621) | (3,653) | (15,324) | 959 | (79) | 5,887 | 5,009 | (11,041) |
| Total Charter School | \$ 411,047 | \$ 432,876 | \$ 115,001 | \$ (70,649) | \$ (257,362) | \$ 298,885 | \$ 239,396 | \$ 165,312 | \$ 274,041 | \$ 11,931 |

Source: Comprehensive Annual Financial Report

QUEEN CITY ACADEMY CHARTER SCHOOL
 Fund Balances - Government Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|-----------------------------|-------------------|---------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General Fund | \$ - | \$ 922,759 | \$ - | \$ 183,999 | \$ 465,637 | \$ 350,000 | \$ 115,114 | \$ - | \$ (10,274.00) | \$ - |
| Restricted | 1,104,897 | 922,759 | 1,004,987 | 696,801 | 435,687 | 776,997 | 712,558 | 586,798 | 415,700 | 155,543 |
| Unassigned | \$ 1,104,897 | \$ 922,759 | \$ 1,004,987 | \$ 880,800 | \$ 901,324 | \$ 1,126,997 | \$ 827,672 | \$ 586,798 | \$ 405,426 | \$ 155,543 |
| Total General Fund | \$ - | \$ 922,759 | \$ 1,004,987 | \$ 880,800 | \$ 901,324 | \$ 1,126,997 | \$ 827,672 | \$ 586,798 | \$ 405,426 | \$ 155,543 |
| All Other Governmental Funds | | | | | | | | | | |
| Restricted | \$ - | \$ 75,000 | 75,000 | 75,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total All Other Governmental Funds | \$ - | \$ 75,000 | \$ 75,000 | \$ 75,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Source: Comprehensive Annual Financial Report

Source: Comprehensive Annual Financial Report

Source: Charter School's Records

QUEEN CITY ACADEMY CHARTER SCHOOL

Fund Balances - Government Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

| Fiscal Year Ending June 30, | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-----------------------------------|-------------------|--------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Revenues: | | | | | | | | | | |
| Local Sources: | | | | | | | | | | |
| Local Tax Levy | \$ 830,252 | \$ 790,442 | \$ 624,001 | \$ 623,795 | \$ 646,188 | \$ 588,792 | \$ 512,717 | \$ 473,570 | \$ 429,122 | \$ 653,283 |
| Interest in Investments | 356 | 85 | 214.00 | 85 | 0 | 596 | 1,092 | 1,248 | 1,027 | 3,013 |
| Miscellaneous | - | 5,992 | 1,419 | 6,577 | 3,272 | 7,579 | 5,746 | 31,998 | 12,222 | 4,910 |
| Intermediate Sources | - | - | - | 6,000 | 12,902 | 18,310 | 5,890 | 5,798 | - | - |
| State Sources | 3,901,414 | 4,578,198 | 3,062,651 | 3,052,243 | 3,031,842 | 2,896,054 | 2,637,732 | 2,440,182 | 2,215,742 | 1,889,329 |
| Federal Sources | 243,447 | 258,947 | 220,790 | 233,572 | 220,063 | 210,288 | 267,012 | 172,980 | 170,503 | 686,036 |
| Total Revenues | 4,975,469 | 5,633,664 | 3,909,075 | 3,922,272 | 3,914,267 | 3,721,619 | 3,430,189 | 3,125,776 | 2,828,616 | 3,236,571 |
| Expenditures | | | | | | | | | | |
| Instruction | 1,819,457 | 1,949,284 | 1,594,894 | 1,646,117 | 1,572,545 | 1,530,478 | 1,348,501 | 1,255,545 | 1,100,580 | 1,498,030 |
| Administration | 1,633,959 | 1,660,958 | 1,370,663 | 1,370,784 | 1,273,335 | 1,111,093 | 1,055,902 | 905,938 | 692,489 | 712,790 |
| Support Services | 976,357 | 781,065 | 606,757 | 579,639 | 771,635 | 765,723 | 784,912 | 792,199 | 752,477 | 1,001,380 |
| Capital Outlay | 438,558 | 1,324,814 | 214,476 | 15,000 | 520,523.00 | 15,000 | 7,404 | 11,270 | 7,404 | 0 |
| Total Expenditures | 4,868,331 | 5,716,121 | 3,786,790 | 3,611,540 | 4,138,038 | 3,422,294 | 3,196,719 | 2,964,952 | 2,552,950 | 3,212,200 |
| Net Change in Fund Balance | \$ 107,138 | \$ (82,457) | \$ 122,285 | \$ 310,732 | \$ (223,771) | \$ 299,325 | \$ 233,470 | \$ 160,824 | \$ 275,666 | \$ 24,371 |

Source: Comprehensive Annual Financial Report

QUEEN CITY ACADEMY CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

| Fiscal Year Ending June 30, | Interest | Miscellaneous Revenue | Total |
|-----------------------------------|----------|--------------------------|--------|
| 2017 | \$ 356 | \$ - | \$ 356 |
| 2016 | 314 | 5,992 | 6,306 |
| 2015 | 214 | 1,419 | 1,633 |
| 2014 | 85 | 6,577 | 6,662 |
| 2013 | - | 3,272 | 3,272 |
| 2012 | 596 | 7,579 | 8,175 |
| 2011 | 1,092 | 5,746 | 6,838 |
| 2010 | 1,248 | 31,998 | 33,246 |
| 2009 | 1,027 | 12,222 | 13,249 |
| 2008 | 3,013 | 4,910 | 7,923 |

Source: Charter School's Records

OPERATING INFORMATION

QUEEN CITY ACADEMY CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 Last Ten Fiscal Years

| Function | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Instruction | 33 | 33 | 33 | 34 | 26 | 32 | 31 | 28 | 26 | 26 |
| Administrative | 3 | 3 | 3 | 3 | 7 | 7 | 7 | 3 | 3 | 3 |
| Support Services | 5 | 5 | 5 | 5 | 3 | 3 | 3 | 3 | 3 | 3 |
| Food Service | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total | 42 | 42 | 42 | 43 | 37 | 43 | 42 | 35 | 33 | 33 |

Source: Charter School Personnel Records

QUEEN CITY ACADEMY CHARTER SCHOOL
 Operating Statistics
 Last Ten Fiscal Years

| Fiscal Year | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Pupil/Teacher Ratio | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | Percent Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|---|---|--|-------------------------------|
| | | | | | | | | | | |
| 2017 | 324 | \$ 4,429,773 | \$ 13,672 | 0.88% | 28 | 1:9 | 322.4 | 309.5 | -0.12% | 96.00% |
| 2016 | 324 | 4,391,307 | 13,553 | -5.53% | 28 | 1:9 | 322.8 | 310.55 | 22.80% | 96.21% |
| 2015 | 249 | 3,572,314 | 14,347 | -0.27% | 24 | 1:9 | 249.2 | 232.5 | -0.48% | 93.30% |
| 2014 | 250 | 3,596,540 | 14,386 | 0.22% | 24 | 1:9 | 250.4 | 234.9 | 2.16% | 93.79% |
| 2013 | 252 | 3,617,515 | 14,355 | 4.91% | 24 | 1:9 | 245.0 | 236.0 | 3.67% | 96.33% |
| 2012 | 249 | 3,407,294 | 13,684 | 0.00% | 24 | 1:9 | 236.0 | 236.0 | 4.62% | 100.00% |
| 2011 | 236 | 3,189,315 | 13,514 | 4.32% | 29 | 1:9 | 225.1 | 214.7 | -1.73% | 95.38% |
| 2010 | 228 | 2,953,682 | 12,955 | 20.61% | 26 | 1:9 | 229.0 | 217.0 | -1.75% | 94.76% |
| 2009 | 237 | 2,545,546 | 10,741 | -22.09% | 26 | 1:9 | 233.0 | 221.0 | -3.86% | 94.85% |
| 2008 | 233 | 3,212,200 | 13,786 | 0.00% | 23 | 1:9 | 242.0 | 229.0 | 11.98% | 94.63% |

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).

QUEEN CITY ACADEMY CHARTER SCHOOL
School Building Information
Last Ten Fiscal Years

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>Charter School Building</u> | | | | | | | | | | |
| <u>Lower School</u> | | | | | | | | | | |
| Square Feet | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 | 27,000 |
| Capacity (students) | 324 | 324 | 252 | 260 | 260 | 260 | 260 | 260 | 260 | 260 |
| Enrollment | 324 | 324 | 252 | 252 | 252 | 247 | 228 | 243 | 243 | 243 |

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

QUEEN CITY ACADEMY CHARTER SCHOOL
Insurance Schedule
June 30, 2017

| | Coverage | Comments | Deductible |
|--|-----------------|---|-------------------|
| Package: | | | |
| Article - Property | | | |
| Business Personal Property-Replacement Cost | \$ 400,000 | per occurrence | \$ 1,000 |
| EDP Equipment and Media (Computers) | 300,000 | | 1,000 |
| Environmental Package | 75,000,000 | | 10,000 |
| Extra Expense | 50,000,000 | | 1,000 |
| Valuable Papers | 10,000,000 | | 1,000 |
| Article - Student Accident | | | |
| Basic/Sports K-8 - Accidents & Injuries | \$ 5,000,000 | per occurrence | |
| Article - Workers Compensation | | | |
| Workers Compensation Coverage A | | Satutory for Medical Bills and Lost Wages | |
| Workers Compensation Coverage B-Employers' Liability | 2,000,000 | Bodily Injury By Accident-Each Accident | |
| | 2,000,000 | Bodily Injury By Disease-Policy Limit | |
| | 2,000,000 | Bodily Injury By Disease-Each Employee | |
| Article - School Leaders Errors and Omissions Liability | | | |
| Claims Made | \$ 1,000,000 | Coverage A | |
| | 100,000/300,000 | Coverage B | \$ 5,000 |
| Article - Crime | | | |
| Public Employee Dishonesty w/Faithful Performance | \$ 25,000 | Insuring Agreement 1 | \$ 500 |
| Theft, Disappearance and Destruction-Money & Securities | 25,000 | Insuring Agreement 2 | 500 |
| Theft, Disappearance and Destruction-Counterfeit | 25,000 | Insuring Agreement 3 | 500 |
| Forgery or Alteration | 25,000 | Insuring Agreement 4 | 500 |
| Public Officials Bond: Board Secretary | 145,000 | | 1,000 |
| Treasurer | 145,000 | | 1,000 |
| Article - Comprehensive General Liability | | | |
| Bodily Injury and Property Damage | \$ 6,000,000 | Annual Aggregate | |
| Products/Completed Operations | 6,000,000 | Aggregate | |
| Personal Injury and Advertising Injury | 6,000,000 | | |
| Employee Benefits | 6,000,000 | Annual Aggregate | |
| Abuse and Molestation - per person | 6,000,000 | per occurrence/annual aggregate | \$ 1,000 |
| Abuse and Molestation - Aggregate/Policy Period | 17,000,000 | | |
| Fire Legal Liability | 100,000 | Any One Fire | |
| Medical Expense | 5,000 | Any One Person | |
| Article - Automobile | | | |
| Combined Single Limit for Bodily Injury and Property Damage | \$ 6,000,000 | per accident | |

QUEEN CITY ACADEMY CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

| | 2015 | 2016 | 2017 | Source |
|--------------------------------|--------------|--------------|------------|---------------------------------------|
| | Audit | Audit | Audit | |
| Cash | \$ 1,071,004 | \$ 1,015,858 | \$ 986,827 | Audit: Exhibit A-1 |
| Current Assets (includes CASH) | 1,146,951 | 1,075,559 | 1,309,331 | Audit: Exhibit A-1 |
| Total Assets | 3,599,883 | 4,727,753 | 5,159,789 | Audit: Exhibit A-1 |
| Current Liabilities | 116,075 | 145,748 | 260,494 | Audit: Exhibit A-1 |
| Total Liabilities | 2,081,427 | 2,616,288 | 2,732,205 | Audit: Exhibit A-1 |
| Net Assets | 846,115 | 1,247,026 | 1,658,073 | Audit: Exhibit A-1 |
| Total Revenue | 4,005,735 | 5,757,188 | 5,108,393 | Audit: Exhibit A-2 |
| Total Expenses | 3,928,423 | 5,356,278 | 4,697,346 | Audit: Exhibit A-2 |
| Change in Net Assets | 77,312 | 400,910 | 411,047 | Audit: Exhibit A-2 |
| Depreciation Expense | 61,799 | 90,351 | 125,494 | Financial Statements/Audit Workpapers |
| Interest Expense | 56,949 | 76,700 | 78,492 | Financial Statements/Audit Workpapers |
| Principal Payments | 58,557 | 168,643 | 189,030 | Financial Statements/Audit Workpapers |
| Interest Payments | 56,949 | 76,700 | 78,492 | Financial Statements/Audit Workpapers |
| Final Average Daily Enrollment | 249.20 | 322.80 | 322.40 | DOE Enrollment Reports |
| March 30th Budgeted Enrollment | 252 | 324 | 324 | Charter School Budget |

| RATIOS ANALYSIS... | | | | | Changes |
|----------------------------------|-----------|----------|----------|----------|--|
| Near Term Indicators | 2015 | 2016 | 2017 | 3 YR CUM | Source: |
| 1a. Current Ratio | 9.88 | 7.38 | 5.03 | 6.76 | Current Assets/Current Liabilities |
| 1b. Unrestricted Days Cash | 99.51 | 69.22 | 76.68 | 80.24 | Cash/(Total Expenses/365) |
| 1c. Enrollment Variance | 99% | 100% | 100% | 99% | Average Daily Enrollment/Budgeted Enrollment |
| 1d.* Default | Yes/No | Yes/No | No | | Audit |
| Sustainability Indicators | | | | | |
| 2a. Total Margin | 2% | 7% | 8% | 6% | Change in Net Assets/Total Revenue |
| 2b. Debt to Asset | 0.58 | 0.55 | 0.53 | 0.55 | Total Liabilities/Total Assets |
| 2c.** Cash Flow | 1,071,004 | (55,146) | (29,031) | 986,827 | Net change in cash flow from prior years |
| 2d. Debt Service Coverage Ratio | 1.70 | 2.31 | 2.30 | 2.19 | (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments) |
| | | | | | Target |
| | | | | | > 1.1 |
| | | | | | 30-50 |
| | | | | | >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
Queen City Academy Charter School
County of Union
Plainfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Queen City Academy Charter School (Charter School), in the County of Union, 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 30, 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 over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is 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 that we consider to be material weakness. However, material weakness may exist that have not been identified.

Compliance and Other Matters

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

We also noted other matters that we reported to the Board of Trustees of the Queen City Academy Charter School in a separate report entitled, Auditor's Management Report on Administrative Findings dated November 30, 2017.

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
Certified Public Accountants
Public School Accountants



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

November 30, 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 BY NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and
Members of the Board of Trustees
Queen City Academy Charter School
County of Union
Plainfield, New Jersey

Report on Compliance for Each Major State Program

We have audited the Queen City Academy Charter School (Charter School’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 the Charter School’s major state programs for the fiscal year ended June 30, 2017. The Charter School’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey’s OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 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 Queen City Academy Charter School, in the County of Union, 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.

Report on Internal Control over Compliance

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


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

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 Queen City Academy Charter School, 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 30, 2017, which contained unmodified opinions 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 OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 expenditures of state financial assistance are fairly stated in all material aspects in relation to the basic financial statements as a whole.

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 NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

November 30, 2017

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

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Grant or State Project Number | Program or Award Amount | Grant Period From To | Balance at June 30, 2016 | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Adjustments | Repayment Of Prior Years' Balances | Accounts Receivable | Balance at June 30, 2017 Deferred Revenue | Due to Grantor |
|--|---------------------------|-------------------------------------|-------------------------------|-------------------------|-----------------------------|------------------------------------|------------------|---------------------------|-------------|--|------------------------|---|-------------------|
| U.S. Department of Education | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | |
| No Child Left Behind Cluster: | | | | | | | | | | | | | |
| Title I Part A | 84-010A | NCLB - 7600 - 17 | \$ 130,286 | 9/1/16 | 8/31/17 | \$ - | \$ 80,119 | \$ (124,635) | \$ - | \$ - | \$ (44,716) | \$ - | \$ - |
| Title II Part A | 84-100A | NCLB - 7600 - 16 | 53,089 | 9/1/15 | 8/31/16 | - | - | (48,001) | - | - | (48,001) | - | - |
| Title II Part A | 84-355A | NCLB - 7600 - 17 | 19,854 | 9/1/15 | 8/31/17 | - | - | (6,451) | - | - | (6,451) | - | - |
| Title II Part A | 84-367A | NCLB - 7600 - 17 | 4,461 | 9/1/16 | 8/31/17 | - | 80,119 | (6,481) | - | - | (6,481) | - | - |
| Total No Child Left Behind Cluster | | | | | | | | (178,777) | | | (98,652) | | |
| Individuals with Disabilities Cluster: | | | | | | | | | | | | | |
| I.D.E.A., Part B Basic | 84-027 | IDEA - 7600 - 17 | 64,677 | 9/1/16 | 8/31/17 | - | 41,319 | (64,676) | - | - | (23,357) | - | - |
| Total Special Revenue Fund | | | | | | | 121,438 | (243,447) | | | (122,009) | | |
| U.S. Department of Agriculture | | | | | | | | | | | | | |
| Passed-through State Department of Agriculture | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | |
| School Breakfast Program | 10-553 | N/A | 5,646 | 7/1/16 | 6/30/17 | - | 5,293 | (5,646) | - | - | (353) | - | - |
| School Breakfast Program | 10-553 | N/A | 6,829 | 7/1/15 | 6/30/16 | (686) | 686 | - | - | - | - | - | - |
| National School Lunch Program | 10-555 | N/A | 119,684 | 7/1/16 | 6/30/17 | (10,757) | 111,513 | (119,684) | - | - | (8,171) | - | - |
| National School Lunch Program | 10-555 | N/A | 107,473 | 7/1/15 | 6/30/16 | - | 10,757 | - | - | - | - | - | - |
| Total Enterprise Fund | | | | | | (11,443) | 128,249 | (125,330) | | | (6,524) | | |
| Sub-Total Federal Financial Awards | | | | | | (11,443) | 249,687 | (368,777) | | | (130,533) | | |

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

QUEEN CITY ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

| State Grantor/Program Title | Grantor State Project Number | Program or Award Amount | Grant Period | | Balance at June 30, 2016 | | | Cash Received | Budgetary Expenditures | Adjustments/Repayment of Prior Years Balance | Balance at June 30, 2017 | | | MEMO |
|---|------------------------------|-------------------------|--------------|---------|--|----------------|-----------------------------|----------------|------------------------|--|--------------------------|------------------------------------|----------------|--------------|
| | | | From | To | Deferred Revenue (Accounts Receivable) | Due to Grantor | Carryover/(Walkover) Amount | | | | (Accounts Receivable) | Deferred Revenue/Interfund Payable | Due to Grantor | |
| State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Equalization Aid | 17-495-034-5120-078 | \$ 3,056,974 | 7/1/16 | 6/30/17 | \$ - | \$ - | \$ 3,056,974 | \$ (3,056,974) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,056,974 |
| Special Education Aid | 17-495-034-5120-089 | 112,376 | 7/1/16 | 6/30/17 | - | - | 112,376 | (112,376) | - | - | - | - | - | 112,376 |
| Security Aid | 17-495-034-5120-084 | 103,151 | 7/1/16 | 6/30/17 | - | - | 103,151 | (103,151) | - | - | - | - | - | 103,151 |
| Other State Aid | 17-495-034-5120-078 | 156,364 | 7/1/16 | 6/30/17 | - | - | 156,364 | (156,364) | - | - | - | - | - | 156,364 |
| <i>Total School/Aid Cluster</i> | | | | | | | 3,428,865 | (3,428,865) | | | | | | |
| On-Behalf TPAF Post-Retirement Medical Contributions | 17-495-034-5095-001 | 149,847 | 7/1/16 | 6/30/17 | - | - | 149,847 | (149,847) | - | - | - | - | - | 149,847 |
| On-Behalf TPAF Pension Contributions | 17-495-034-5095-002 | 179,839 | 7/1/16 | 6/30/17 | - | - | 179,839 | (179,839) | - | - | - | - | - | 179,839 |
| On-Behalf TPAF Long-Term Disability Contributions | 17-495-034-5095-004 | 1,386 | 7/1/16 | 6/30/17 | - | - | 1,386 | (1,386) | - | - | - | - | - | 1,386 |
| Reimbursed TPAF - Social Security | 17-495-034-5095-003 | 141,477 | 7/1/16 | 6/30/17 | - | - | 141,477 | (141,477) | - | - | - | - | - | 141,477 |
| Reimbursed TPAF - Social Security | 16-495-034-5095-003 | 147,523 | 7/1/15 | 6/30/16 | (7,339) | - | 7,339 | - | - | - | - | - | - | 141,477 |
| <i>Total General Fund</i> | | | | | (7,339) | - | 3,908,753 | (3,901,414) | - | - | - | - | - | 3,901,414 |
| State Department of Agriculture | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | |
| National School Lunch Program (State Share) | 17-100-010-3350-023 | 2,127 | 7/1/16 | 6/30/17 | (197) | - | 1,963 | (2,127) | - | - | (144) | - | - | 2,127 |
| National School Lunch Program (State Share) | 16-100-010-3350-023 | 2,012 | 7/1/15 | 6/30/16 | - | - | 197 | - | - | - | - | - | - | 144 |
| <i>Total Enterprise Fund</i> | | | | | (197) | - | 2,180 | (2,127) | - | - | (144) | - | - | 2,127 |
| <i>Total State Financial Assistance</i> | | | | | (7,536) | \$ - | \$ 3,910,933 | \$ (3,903,541) | \$ - | \$ - | (144) | \$ - | \$ - | \$ 3,903,541 |
| State Financial Assistance Not Subject To Major Program Determination: | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| On-Behalf TPAF Post-Retirement Medical Contributions | 17-495-034-5095-001 | 149,847 | 7/1/16 | 6/30/17 | - | - | 149,847 | 149,847 | - | - | - | - | - | (149,847) |
| On-Behalf TPAF Pension Contributions | 17-495-034-5095-002 | 179,839 | 7/1/16 | 6/30/17 | - | - | 179,839 | 179,839 | - | - | - | - | - | (179,839) |
| On-Behalf TPAF Long-Term Disability Contributions | 17-495-034-5095-004 | 1,386 | 7/1/16 | 6/30/17 | - | - | 1,386 | 1,386 | - | - | - | - | - | (1,386) |
| <i>Sub-Total</i> | | | | | (7,536) | - | 3,579,861 | (3,572,469) | - | - | (144) | - | - | (331,072) |
| Total State Financial Assistance Subject To Single Audit | | | | | (7,536) | \$ - | \$ 3,579,861 | \$ (3,572,469) | \$ - | \$ - | (144) | \$ - | \$ - | \$ 3,572,469 |

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

QUEEN CITY ACADEMY CHARTER SCHOOL
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 activity of the Board of Trustees, Queen City Academy Charter School. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to 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

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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 follows:

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|-------------------------------------|-------------------|---------------------|---------------------|
| General Fund | \$ - | 3,901,414 | \$ 3,901,414 |
| Special Revenue Fund | 243,447 | - | 243,447 |
| Food Service Fund | 125,330 | 2,127 | 127,457 |
| Total Awards & Financial Assistance | <u>\$ 368,777</u> | <u>\$ 3,903,541</u> | <u>\$ 4,272,318</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

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

NOTE 6. OTHER

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

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

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

| Program | Total |
|--|-----------------------|
| Title I, Part A: <i>Grants to Local Education Agencies</i> | 124,835 |
| Title II, Part A: <i>Teacher and Principal Training and Recruiting</i> | <u>4,481</u> |
| Total | <u>\$ 129,316</u> |

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

Section I – Summary of Auditor’s Results

Financial Statements

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

State Awards

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

| GMIS Number(s) | Name of State Program |
|-----------------------|-----------------------------------|
| _____ | STATE AID – PUBLIC CLUSTER |
| 17-495-034-5120-078 | EQUALIZATION AID |
| 17-495-034-5120-089 | SPECIAL EDUCATION CATEGORICAL AID |
| 17-495-034-5120-084 | SECURITY AID |
| 17-495-034-5120-078 | OTHER STATE AID |

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

Section II – Financial Statement Findings

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

No current year findings

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

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

No current year findings

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

STATUS OF PRIOR-YEAR FINDINGS

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

No Prior Year Findings