PACE CHARTER SCHOOL OF HAMILTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

PACE CHARTER SCHOOL

OF

HAMILTON

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

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2018

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

OF THE

PACE CHARTER SCHOOL OF HAMILTON

HAMILTON, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by

Pace Charter School of Hamilton
Finance Department

And

Barre & Company LLC, CPAs

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INTRODUCTORY SECTION

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

January 28, 2019

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Pace Charter School of Hamilton (Charter School) for the fiscal year ended June 30, 2018. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;

- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

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

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

Pace Charter School of Hamilton provides a full range of services appropriate to Kindergarten–Grade 5. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2017-2018 school year with an enrollment of 245 students. The following details the student enrollment of the Charter School.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2017-2018	294.7	20.29%
2016-2017	245	3.38%
2015-2016	237	9.72%
2014-2015	216	51.05%

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

3. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

(1) the cost of a control should not exceed the benefits likely to be derived;

(2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2018.

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

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

7. OTHER INFORMATION:

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

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

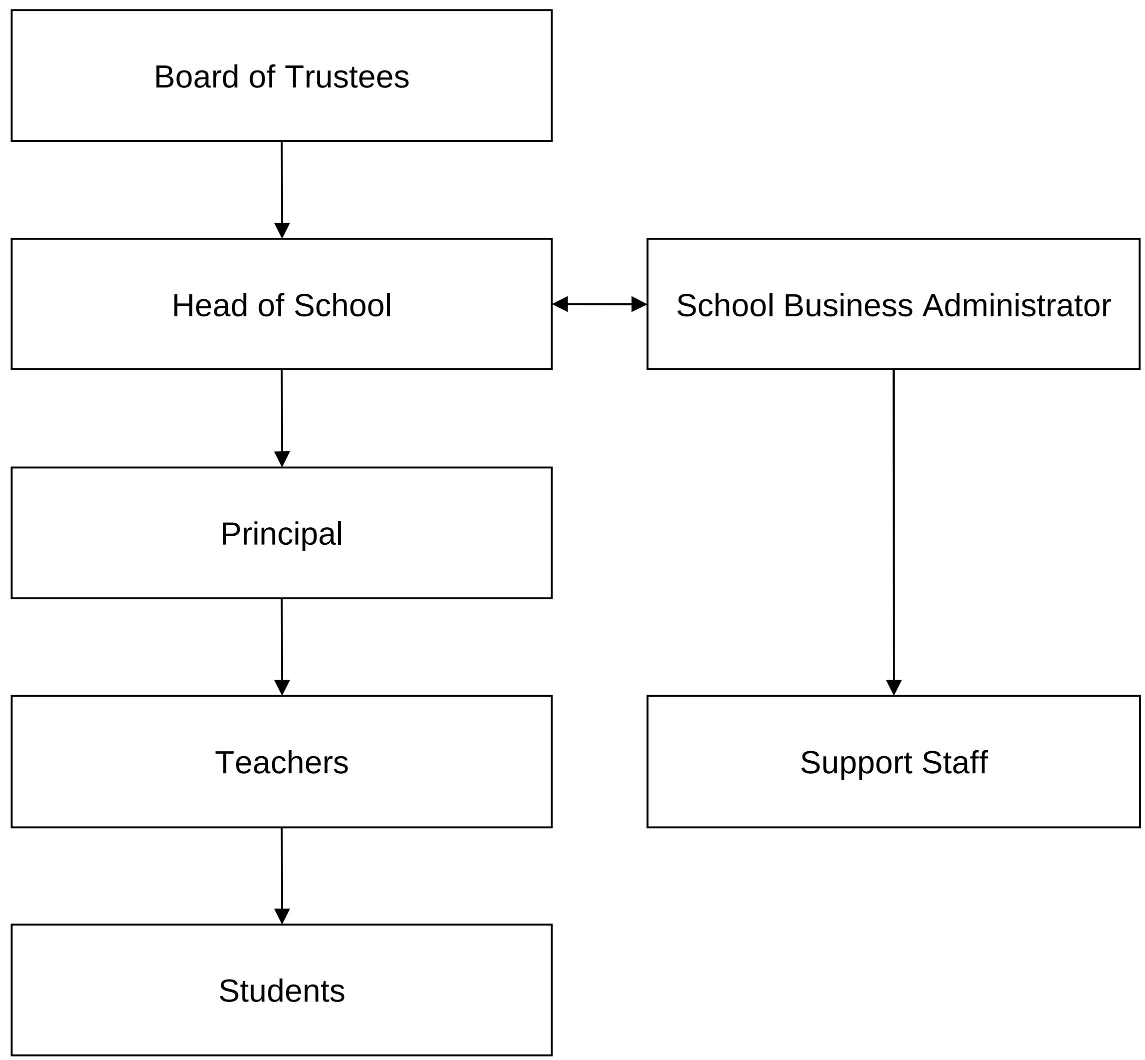
Respectfully submitted,

Deborah A Darf Pontoriero

Deborah A. Pontoriero
Lead Person

PACE CHARTER SCHOOL OF HAMILTON

ORGANIZATIONAL CHART



PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2018

MEMBERS OF THE BOARD OF TRUSTEES	POSITION
Nicole Pollard-Alford	President
Ingrid Trottman	Vice President
Lakesha Williams	Recording Secretary
Maria Mercedes	Trustee
Norma Villanueva	Trustee
Joanne Roberts	Trustee
Carmen Vasquez	Trustee
Tamara Childs	Trustee

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

PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY

CONSULTANTS AND ADVISORS

Audit Firm

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

Official Depository

Sun Bank
411 Route 33
Trenton, NJ 08619

Attorney

Johnson Law Firm
77 Midland Ave
Suite 1
Montclair, New Jersey 07042

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 303
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 8 to the basic financial statements, the Charter School implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, and M-1, and the related notes be presented to supplement the basic financial statements and budgetary comparison information in Exhibits C-1 though C-3. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019 on our consideration of the Pace Charter School of Hamilton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.

Barre & Company LLC

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

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

January 28, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The discussion and analysis of Pace Charter School of Hamilton's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2018 are as follows:

- ❖ General revenues accounted for $4,925,214 in revenue or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $184,226 or 4% of total revenues of $5,109,440.

- ❖ The Charter School had $5,143,782 in expenses; only $184,226 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $4,925,214 were not adequate to provide for these programs.

- ❖ Among governmental funds, the General Fund had $4,197,423 in revenues and $4,120,351 in expenditures. The General Fund's fund balance increased by $77,072 over 2017. 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 Pace Charter School of Hamilton as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.

- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund

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

Notes to the Financial Statements

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

The Charter School as a Whole

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

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

The Charter School's combined net position (deficit) were $(76,052) for June 30, 2018 and $(41,710) for 2017.

Governmental Activities

The Charter School's total revenues were $4,948,446 for the year ended June 30, 2018 and $3,800,789 for 2017, this includes $443,148 for 2018 and $360,931 for 2017 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was $5,007,066 for 2018 and $4,172,476 for 2017. Instruction comprises 51% for 2018 and 51% for 2017 of Charter School expenses.

Governmental Activities (Continued)

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

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

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

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

Business-Type Activity

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

- ❖ Food service revenues exceeded expenses by $24,278 for 2018 and by $32,450 for 2017.
- ❖ Charges for services represent $9,205 for 2018 and $4,924 for 2017 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, were $151,789 for 2018 and $140,089 for 2017.

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 $4,948,446 for 2018 and $3,800,789 for 2017 and expenditures were $4,350,612 for 2018 and $4,172,476 for 2017. The net change in fund balance for the year was most significant in the general fund, an increase of $597,834 .

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018, and the amounts and percentages of increases and decreases in relation to prior year amounts.

The Charter School's Funds (Continued)

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Local Sources	$ 1,108,428	25.03%	$ 191,144	20.84%
State Sources	3,088,995	69.77%	412,579	15.42%
Federal Sources	230,261	5.20%	23,172	11.19%
Total	$ 4,427,684	100.00%	$ 626,895	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2018, and the amounts and percentages of increases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Instruction	$ 1,917,992	44.09%	$ 256,449	15.43%
Administration	1,425,412	32.76%	105,631	8.00%
Support Services	1,007,208	23.15%	19,553	1.98%
Total	$ 4,350,612	100.00%	$ 381,633	

Changes in expenditures were the results of varying factors.

General Fund Budgeting Highlights

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

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

For the Future

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

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

Contacting the Charter School's Financial Management

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

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

PACE CHARTER SCHOOL OF HAMILTON
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 404,834	$ 11,565	$ 416,399
Interfund Receivables	32,038	88,887	120,925
Receivables	158,587	9,505	168,092
Prepaid Expenses	40,790		40,790
Total Assets	636,249	109,957	746,206
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	675,337		675,337
Total Deferred Outflows of Resources	675,337	-	675,337
LIABILITIES:			
Interfund Payable			-
Payable to State Government	2,127		2,127
Accounts Payable	24,164	7,810	31,974
Deferred Revenue	10		10
Noncurrent Liabilities:			
Pension	1,209,837		1,209,837
Total Liabilities	1,236,138	7,810	1,243,948
DEFERRED INFLOWS OF RESOURCES:			
Pensions	253,647		253,647
Total Deferred Inflows of Resources	253,647	-	253,647
NET POSITION:			
Unassigned	(178,199)	102,147	(76,052)
Total Net Position	$ (178,199)	$ 102,147	$ (76,052)

-

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

PACE CHARTER SCHOOL OF HAMILTON
Statement of Activities
For The Fiscal Year Ended June 30, 2018

			Program Revenues			Net (Expense) Revenue and Changes In Net Position		
Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	$ 1,917,992	$ 657,919	$ -	$ 23,232	$ -	$ (2,552,679)	$ -	$ (2,552,679)
Administration	1,198,894	151,667				(1,350,561)		(1,350,561)
Support Services	1,007,208	73,386				(1,080,594)		(1,080,594)
Total Governmental Activities	4,124,094	$ 882,972	-	23,232	-	(4,983,834)	-	(4,983,834)
BUSINESS-TYPE ACTIVITIES:								
Food Service	136,716		9,205	151,789			24,278	24,278
Total Business-Type Activities	136,716		9,205	151,789	-	-	24,278	24,278
Total Primary Government	$ 4,260,810		$ 9,205	$ 175,021	$ -	$ (4,983,834)	$ 24,278	$ (4,959,556)
			GENERAL REVENUES					
			General Purposes			$ 1,108,428	$ -	$ 1,108,428
			Federal and State Aid Not Restricted			3,816,786		3,816,786
			Total General Revenues			4,925,214	-	4,925,214
			Change in Net Position			(58,620)	24,278	(34,342)
			Net Position - Beginning of Year			(119,579)	77,869	(41,710)
			Net Position - Ending			$ (178,199)	$ 102,147	$ (76,052)

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

PACE CHARTER SCHOOL OF HAMILTON

Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	$ 404,824	$ 10	$ 404,834
Interfund Receivables	32,038		32,038
Receivables from Other Governments	158,587		158,587
Security Deposit	40,790		40,790
Total Assets	$ 636,239	$ 10	$ 636,249
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Payables to State Government	$ 2,127	$ -	$ 2,127
Accounts Payable	24,164		24,164
Deferred Revenues		10	10
Total Liabilities	26,291	10	26,301
Fund Balances:			
Unassigned:			
General Fund	609,948		609,948
Total Fund Balances	609,948	-	609,948
Total Liabilities and Fund Balances	$ 636,239	$ 10	

Amounts reported for *governmental activities* in the statement of net position (A-1) which are different because:	
Net pension liability of $1,209,837 ,deferred inflows of resources of $253,647 less deferred outflows of resources of $675,337 related to pensions are not reported in the governmental funds	(788,147)
Net Position of Governmental Activities	$ (178,199)

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

PACE CHARTER SCHOOL OF HAMILTON
Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	$ 1,108,428		$ 1,108,428
Total Local Sources	1,108,428	-	1,108,428
State Sources	3,088,995		3,088,995
Federal Sources		230,261	230,261
Total Revenues	4,197,423	230,261	4,427,684
EXPENDITURES:			
Instruction	1,737,080	180,912	1,917,992
Administration	1,425,412		1,425,412
Support Services	957,859	49,349	1,007,208
Total Expenditures	4,120,351	230,261	4,350,612
NET CHANGE IN FUND BALANCES	77,072	-	77,072
FUND BALANCES, JULY 1	532,876	-	532,876
FUND BALANCES, JUNE 30	$ 609,948	$ -	$ 609,948

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

PACE CHARTER SCHOOL OF HAMILTON
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental fund (from B-2)	$ 77,072
Amounts reported for governmental activities in the statement of activities (A-2) which are different because:	
Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.	(135,692)
Change in net position of governmental activities	$ (58,620)

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

PROPRIETARY FUNDS

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Fund Net Position
June 30, 2018

	Business Type-Activities
	Food Service
ASSETS:	
Cash and Cash Equivalents	$ 11,565
Due From Other Funds	88,887
Intergovernmental Accounts Receivable:	
Federal	9,363
State	142
Total Assets	109,957
LIABILITIES:	
Interfund Accounts Payable	
Accounts Payable	7,810
Total Liabilities	7,810
NET POSITION:	
Unrestricted	102,147
Total Net Position	$ 102,147

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

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2018

	Business Type-Activities Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	$ 9,205
Total Operating Revenues	9,205
OPERATING EXPENSES:	
Cost of Sales- Reimbursable	136,716
Total Operating Expenses	136,716
OPERATING LOSS	(127,511)
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	2,200
Federal Source:	
National School Breakfast Program	36,925
National School Lunch Program	112,664
Fresh Fruit and Vegetables	
Total Nonoperating Revenues	151,789
CHANGE IN NET POSITION	24,278
TOTAL NET POSITION, JULY 1	77,869
TOTAL NET POSITION, JUNE 30	$ 102,147

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

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Business Type-Activities Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ (82,170)
Cash Payments to Suppliers and Employees	(277,885)
Net Cash Used For Operating Activities	(360,055)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	151,789
Net Cash Provided By Noncapital Financing Activities	151,789
Net Increase In Cash And Cash Equivalents	(208,266)
Cash And Cash Equivalents, Beginning Of Year	219,831
Cash And Cash Equivalents, End Of Year	$ 11,565
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss Used for Operating Activities	$ (127,511)
Change In Assets And Liabilities:	
Decrease In Due From Other Funds	(88,887)
Increase In Receivables From Other Governments	(2,488)
Increase In Interfund Payable	(142,133)
Increase In Accounts Payable	964
Net Cash Used For Operating Activities	$ (360,055)

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

FIDUCIARY FUNDS

PACE CHARTER SCHOOL OF HAMILTON
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	$ 137,978
Total Assets	$ 137,978
LIABILITIES:	
Liabilities:	
Interfund Accounts Payable	$ 120,925
Payroll Deductions and Withholdings	17,053
Total Liabilities	$ 137,978

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

NOTES TO THE FINANCIAL STATEMENTS

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Starting on fiscal year ended June 30, 2018, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement no. 63 identifies net position, rather than net assets as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

A. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

B. Basis of Presentation, Basis of Accounting

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

NOTE 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</u>

<u>Basis of Presentation, Basis of Accounting (Continued)</u>

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.

<u>Basis of Presentation</u>

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

The Charter School reports the following governmental funds:

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

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

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

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Additionally, the Charter School reports the following fund type:

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

Basis of Accounting

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

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

Total Revenues & Expenditures (Budgetary Basis)	$ 230,271
Adjustments:	
Less Encumbrances at June 30, 2018	(10)
Plus Encumbrances at June 30, 2017	-
Total Revenues and Expenditures (GAAP Basis)	$ 230,261

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Encumbrances Accounting

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

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

E. Assets, Liabilities, and Equity

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Capital Assets:

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

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

Asset Class	Estimated Useful Lives
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

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

Deferred Revenue:

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

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School – wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Net Position:

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

Fund Balance Reserves:

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

Revenues — Exchange and Non-exchange Transactions:

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

Accrued Salaries and Wages:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Pensions

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

G. Impact of Recently Issued Accounting Principles

During fiscal year 2018, the District adopted the following GASB statements as required:

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

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. Statement 83 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. The provisions in Statement No. 83 are effective for reporting periods beginning after June 15, 2018. The School is assessing if GASB 83 will have any impact on its financial statements.

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

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

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

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

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

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which is effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The School is assessing if GASB 88 will have any impact on its financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which is effective for fiscal years beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The School is assessing if GASB 89 will have any impact on its financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

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

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

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

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

Deposits (Continued)

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

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

Investments

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

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

The Charter School had no investments as of June 30, 2016. As of June 30, 2018, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Proprietary Fund	Fiduciary Funds	Total
Operating Account	$ 404,824	$ 11,565	$ 137,978	$ 554,377

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was $554,377 and the bank balance was $628,252. 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.

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

Risk Category

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

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

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

Category 3— Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2018, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

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

As of June 30, 2018, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2018, 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	$ 158,587	$ 158,729
Federal Aid	-	9,363
Other	40,790	40,790
Gross Receivables	199,377	208,882
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	$ 199,377	$ 208,882

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, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 32,038	$ -
Proprietary Fund	88,887	
Fiduciary Fund		120,925
Total	$ 120,925	$ 120,925

NOTE 5: CAPITAL ASSETS

The entity has no capital assets as of June 30, 2018.

NOTE 6: RENTAL LEASE

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

Years	Amount
1 and 2	$102,000
3 through 5	$108,000
6 and 7	$114,000
8 through 10	$120,000

The lease is a triple net lease by which the tenant is responsible for real estate taxes, utilities, and all items of maintenance. Total lease payments made during the year ended June 30, 2018 was $114,000.

On May 21, 2014, the school entered into a five (5) year lease commencing September 1, 2014 and expiring August 30, 2019 to lease classroom and office space at 3500 South Broad Street, Hamilton, New Jersey. In accordance with the lease, the school paid a security deposit in the amount of $40,790 in June, 2014. The school paid rent in the amount of $261,048 during the year ended June 30, 2018.

Years	Amount
1	$183,553
2	$261,048
3 through 5	$281,808

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

Years	Amount
1 through 3	$59,598
4 through 5	$63,528

NOTE 7: PENSION PLANS

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

NOTE 7: PENSION PLANS (CONTINUED)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

NOTE 7: PENSION PLANS (CONTINUED)

Basis of Presentation

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

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ration of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2016 through June 30, 2017. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

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

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

NOTE 7: PENSION PLANS (CONTINUED)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The state's pension contributions is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. The Charter School contributions to PERS amounted to $ 50,661 for fiscal year 2017.

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

At June 30, 2018, the Charter School reported a liability of $ 1,209,837 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, 2017, the Charter School's proportion was 0.00519725%, which was an decrease of -0.00042104% from its proportion measured as of June 30, 2016.

NOTE 7: PENSION PLANS (CONTINUED)

For the fiscal year ended June 30, 2017, the Charter School recognized pension expense of $ 49,912 . At June 30, 2017, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Changes in Assumptions	$	243,741	$	242,847
Difference Between Expected and Actual Experience	$	28,487		
Changes in Proportion	$	-		44,250
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$	403,109		(33,450)
	$	675,337	$	253,647

NOTE 7: PENSION PLANS (CONTINUED)

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

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 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
2018	$ 28,481
2019	42,978
2020	26,043
2021	(34,637)
2022	(25,245)
	$ 37,619

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, 2017 measurement date was determined by an actuarial valuations as of July 1, 2016. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.00%

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 2 years for males and females and addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combines Healthy male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for the future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rated used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

NOTE 7: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield Bonds	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through 2040. Therefore the long–term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 7: PENSION PLANS (CONTINUED)

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2017

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School's proportionate share of the Net Pension Liability	$ 1,500,885	$ 1,209,837	$ 967,358

Fiscal Year Ended June 30, 2016

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's proportionate share of the Net Pension Liability	$ 2,039,009	$ 1,663,976	$ 1,354,355

Pension Plan Fiduciary Net Position

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

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

NOTE 7: PENSION PLANS (CONTINUED)

Benefit Provided

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

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

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

Allocation Methodology

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

NOTE 7: PENSION PLANS (CONTINUED)

Allocation Methodology (Continued)

pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

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

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 year ended 2018, the State of New Jersey contributed $ 13,752 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of $ 67,055 .

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

NOTE 7: PENSION PLANS (CONTINUED)

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

As June 30, 2017, the State's proportionate share of the net pension liability associated with the Charter School was $ 8,199,502 . The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 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 0.0126120%, which was an increase of 0.0041922% 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 Charter School	8,199,502
Total	$ 8,199,502

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the Charter School in the amount of $ 68,928 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

NOTE 7: PENSION PLANS (CONTINUED)

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

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	$ 13,378,255,364	$ 11,684,858,458
Difference Between Expected and Actual Experience	441,116,389	115,381,203
Changes in Proportion and differences between employer contributions and proportionate share of contributions	192,581,778	192,581,778
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	341,507,504	
	$ 14,353,461,035	$ 11,992,821,439

The $ 14,353,461,035 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 $ 11,992,821,439 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2018	$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	$ 2,360,639,596

NOTE 7: 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	varies based on experience
Thereafter	varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% at June 30, 2017) 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2017 is summarized in the following table:

NOTE 7: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield Bonds	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 7: PENSION PLANS (CONTINUED)

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

The following presents the net pension liability of the State as of June 30, 2017 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, 2017

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Charter School's proportionate share of the Net Pension Liability	$ 10,139,333	$ 8,534,567	$ 7,212,553

For the Fiscal Year Ended June 30, 2016

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

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.

NOTE 7: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

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

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

For DCRP, the Charter School recognized no pension expense related to DCRP for the fiscal year ended June 30, 2018.

NOTE 8: POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

The school is in a "special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

NOTE 8: **POST-RETIREMENT BENEFITS (CONTINUED)**

General Information about the OPEB Plan (continued)

Plan Description and Benefits Provided (continued)

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L, 2011 , future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Employees covered by benefit terms:

At June 30, 2017, the following employees were covered by the benefit terms:

TPAF participant retirees:
As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed $1.39 billion on their behalf.

PERS participant retirees:
The State paid $238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

		TPAF/ABP	PERS	PFRS
Inflation Rate	2.50%			
Salary Increases Through 2026		1.55% to 4.55% based on years of service	2.15% to 4.15% based on age	2.10% to 8.98% based on age
Rate thereafter		2.00% to 5.45% based on years of service	3.15% to 5.15% based on age	3.15% to 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is in initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 57,831,784,184
Service cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Effect of Changes of Assumptions	(7,086,599,129)
Contributions - Employee	45,748,749
Gross Benefits Paid by the State	(1,242,412,566)
Net Changes	(4,191,942,326)
Balance at June 30, 2017	53,639,841,858

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was 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, 2017		
	At 1% Decrease (2.58%)	At current discount rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability	$63,674,362,200	$ 53,639,841,858	$45,680,364,953

	Fiscal Year Ended June 30, 2016		
	At 1% Decrease (1.58%)	At current discount rate (2.58%)	At 1% Increase (3.58%)
Total OPEB Liability	$69,383,705,084	$ 57,831,784,184	$48,817,654,566

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	At 1% decrease	Trend Rate	At 1% Increase
Total OPEB Liability	$44,113,584,560	$53,639,841,858	$66,290,599,457

	Fiscal Year Ended June 30, 2016		
	At 1% decrease	Trend Rate	At 1% Increase
Total OPEB Liability	$47,452,589,164	$57,831,784,184	$71,707,778,970

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the Charter School recognized OPEB expense of $520,762 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is $-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	$ -	$ -
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes		(6,343,769,032)
Sub Total	-	(6,343,769,032)
Contributions Made in Fiscal Year 2018 after June 30, 2017 Measurement Date	1,190,373,242	N/A
Total	1,190,373,242	(6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB will be recognized in OPEB expense as follows:

Fiscal Year ending June 30	
2018	$ 742,830,097
2019	$ 742,830,097
2020	$ 742,830,097
2021	$ 742,830,097
2022	$ 742,830,097
Total Thereafter	$ 2,629,618,547
	$ 6,343,769,032

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance

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

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

The General Fund fund balance of $609,948 in the fund financial statements at June 30, 2018 is unreserved and undesignated.

NOTE 11: RELATED PARTY TRANSACTIONS

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

NOTE 12: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 28, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	$ 1,108,428		$ 1,108,428	$ 1,108,428	$ -
Total Local Levy Budget	1,108,428	-	1,108,428	1,108,428	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	2,315,574		2,315,574	2,315,574	-
Special Education Aid	23,232		23,232	23,232	-
Security Aid	67,524		67,524	67,524	-
Adjustment Aid	231,340		231,340	231,340	-
Total Categorical Aid	2,645,847	-	2,645,847	2,645,847	-
Revenues From Other Sources:					
Miscellaneous Revenue					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				196,521	196,521
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				126,929	126,929
On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted)				848	848
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				118,850	118,850
Total Revenues From Other Sources	-	-	-	443,148	443,148
Total Revenues	3,754,275	-	3,754,275	4,197,423	443,148
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,405,000	(143,297)	1,261,703	1,261,703	-
Other Salaries for Instruction	200,000	117,156	317,156	317,156	-
Purchased Prof/Tech Services	6,600	(36)	6,564	6,564	-
Other Purchased Services	18,500	(9,849)	8,651	8,651	-
General Supplies	64,875	71,355	136,230	136,230	-
Textbooks	2,500	(2,500)	-		-
Miscellaneous	16,500	(9,724)	6,776	6,776	-
Total Instruction	1,713,975	23,105	1,737,080	1,737,080	-
Administration:					
Salaries - General Administration	255,000	(43,616)	211,384	211,384	-
Salaries of Secretarial/Clerical Assistants	155,000	(2,417)	152,583	152,583	-
Total Benefits Cost	597,815	(30,216)	567,599	550,706	16,893
Purchases Prof/Tech Services	19,500	11,115	30,615	30,615	-
Other Purchased Services	5,000	(1,800)	3,200	3,200	-
Communications/Telephone	12,500	(2,487)	10,013	10,013	-
Supplies and Materials	30,000	(12,998)	17,002	17,002	-
Miscellaneous Expenses	36,000	(29,239)	6,761	6,761	-
Total Administration	1,110,815	(111,658)	999,157	982,264	16,893

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

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	$ 150,000	$ 26,109	$ 176,109	$ 176,109	$ -
Purchased Prof/Ed Services	12,500	13,637	26,137	26,137	-
Purchased Prof/Tech Services	37,500	137,628	175,128	175,128	-
Rental of Land and Buildings	519,353	(44,380)	474,973	474,973	-
Transportation-Other Than To/From School	8,500	(676)	7,824	7,823	1
Insurance for Property, Liability and Fidelty	15,755	809	16,564	16,564	-
Supplies and Materials	15,000	7,310	22,310	22,310	-
Energy Costs (Heat and Electricity)	45,522	13,293	58,815	58,815	-
Total Support Services	804,130	153,730	957,860	957,859	1
On-Behalf TPAF Pension Contributions (Non-Budgeted)				196,521	(196,521)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				126,929	(126,929)
On Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				848	(848)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	118,850	(118,850)
Total Expenditures	3,628,920	65,177	3,694,097	4,120,351	(101,956)
Excess (Deficiency) of Revenues Over (Under) Expenditures	125,355	(65,177)	60,178	77,072	16,894
FUND BALANCE, JULY 1	371,488	(155,166)	216,322	532,876	316,554
FUND BALANCE, JUNE 30	$ 496,843	$ (220,343)	$ 276,500	$ 609,948	$ 333,448
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	$ 496,843	$ (220,343)	$ 276,500	$ 609,948	$ 333,448
Total	$ 496,843	$ (220,343)	$ 276,500	$ 609,948	$ 333,448

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

PACE CHARTER SCHOOL OF HAMILTON
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	$ 230,261	$ -	$ 230,261	$ 230,261	$ -
Total Revenues	230,261	-	230,261	230,261	-
EXPENDITURES:					
Instruction:					
Salaries	173,240		173,240	173,240	-
General Supplies	7,662	10	7,672	7,672	-
Total Instruction	180,902	10	180,912	180,912	-
Support Services:					
Personal Services - Employee Benefits	6,216		6,216	6,216	-
Purchased Professional Services	22,046		22,046	22,046	-
Purchased Technical Services	21,087		21,087	21,087	-
Total Support Services	49,349	-	49,349	49,349	-
Total Expenditures	230,251	10	230,261	230,261	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 10	$ (10)	$ -	$ -	$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PACE CHARTER SCHOOL OF HAMILTON
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
Fiscal Year Ended June 30, 2018

The general fund budget basis is GAAP; therefore, no reconciliation is required.

In the special revenue fund, the net adjustment to reconcile from the budgetary basis to the GAAP basis is zero.

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

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

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Charter School's proportion of the net pension liability	0.00155107%	0.00250878%	0.004265865%	0.005618210%	0.005197250%
Charter School's proportionate share of the net pension liability	$ 296,440	$ 469,712	$ 957,601	$ 1,663,973	$ 1,209,837
Charter School's covered employees payroll	$ 318,635	$ 464,711	$ 339,903	$ 339,903	$ 417,138
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	93%	101%	282%	490%	290%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%	45.37%	51.55%

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

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

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	$ 11,687	$ 20,682	$ 36,675	$ 49,912	$ 49,912
Contributions in relation to the contractually required contribution	(11,687)	(20,682)	(36,675)	(48,147)	(50,661)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ 1,765	$ (749)
Charter School's covered employee payroll	$ 318,635	$ 464,711	$ 339,903	$ 325,570	$ 417,138
Contributions as a percentage of covered employee payroll	3.67%	4.45%	10.79%	15.33%	11.97%

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

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

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
State's proportion of the net pension liability attributable of the Charter School	0.0048768%	0.00615718%	0.00593393%	0.00841980%	0.01261200%
State's proportionate share of the net pension liability attributable to the Charter School	$ 2,464,673	$ 3,290,812	$ 3,750,497	$ 6,623,536	$ 8,199,502
CS / District's covered employees payroll	$ 969,160	$ 915,411	$ 1,268,995	$ 1,475,439	$ 1,624,817
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	254.31%	359.49%	295.55%	448.92%	504.64%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.76%	28.71%	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.

SCHEDULE M – SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Pace Charter School of Hamilton
Required Supplementary Information Schedules
Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios
Last Two Fiscal Years
(Unaudited)

	Fiscal Years Ending	
	June 30, 2017	June 30, 2018
OPEB Liability at Beginning of Measurement Period		$ 3,649,621
Service cost		444,657
Interest on Total OPEB Liability		115,576
Effect on Changes of Benefit Terms	NOT AVAILABLE	-
Effect of Changes of Assumptions		(612,457)
Contributions - Employee		3,001
Gross Benefits Paid by the State		(81,505)
Net Change in Total OPEB Liability	NOT AVAILABLE	(130,728)
OPEB Liability at Beginning of Measurement Period		3,649,621
Total OPEB Liability at End of Measurement Period	3,649,621	3,518,893
The Charter School's Proportionate Share of the Total OPEB Liability	0.01%	0.01%
Charter School's Covered-Employee Payroll	1,801,009	2,041,955
Total Charter School's OPEB liability as a percentage of covered-employee payroll	202.643%	172.330%
Charter School's Contribution	None	None

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule:

Changes in benefit terms: None

Changes in assumptions:
The increase in the liability from June 30,2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

A. Benefit Changes

There were none.

B. **Changes in Assumptions**

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

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

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

SECTION E – SPECIAL REVENUE FUND DETAIL STATEMENTS

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

THE PACE CHARTER SCHOOL OF HAMILTON
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	Title I	Title II Part A	I.D.E.A.	Total
REVENUE SOURCES:				
Federal	$ 164,861	$ 13,344	$ 52,056	$ 230,261
Total Revenues	$ 164,861	$ 13,344	$ 52,056	$ 230,261
EXPENDITURES:				
Instruction:				
Salaries of Teachers	$ 151,040	$ -	$ 22,200	$ 173,240
General Supplies	6,078		1,594	7,672
Total Instruction	157,118	-	23,794	180,912
Support Services:				
Personal Services - Employee Benefits			6,216	6,216
Purchased Prof/Ed Services			22,046	22,046
Purchased Technical Services	7,743	13,344		21,087
Total Support Services	7,743	13,344	28,262	49,349
Total Expenditures	$ 164,861	$ 13,344	$ 52,056	$ 230,261

SECTION G – PROPRIETARY FUND DETAIL STATEMENTS

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

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

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

SECTION H – FIDUCIARY FUND DETAIL STATEMENTS

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

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

> ***As of June 30, 2018, there is no non-expendable trust fund utilized by the Charter School.***

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

> ***Student Activity Fund – This agency fund is used to account for student funds held at the schools.***
>
> ***Payroll Agency Fund – This agency fund is used to account for the payroll transactions of the charter school.***

PACE CHARTER SCHOOL OF HAMILTON
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2018

	Agency Fund		
	Payroll Agency	Net Payroll	Total Agency
ASSETS:			
Cash and Cash Equivalents	$ 72,392	$ 65,586	$ 137,978
Total Assets	$ 72,392	$ 65,586	$ 137,978
LIABILITIES:			
Liabilities:			
Interfund Accounts Payable	$ 55,339	65,586	$ 120,925
Payroll Deductions and Withholdings	17,053	-	17,053
Total Liabilities	72,392	65,586	137,978
Total Liabilities	$ 72,392	$ 65,586	$ 137,978

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS:				
Cash and Cash Equivalents	$ 69,645	$ 920,380	$ 917,633	$ 72,392
Total Assets	$ 69,645	$ 920,380	$ 917,633	$ 72,392
LIABILITIES:				
Interfund Accounts Payable	$ 26,224	$ 903,327	$ 874,212	$ 55,339
Payroll Deductions and Withholdings	43,421	17,053	43,421	17,053
Total Liabilities	$ 69,645	$ 920,380	$ 917,633	$ 72,392

STATISTICAL SECTION
(UNAUDITED)

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

<u>Contents</u>

Financial Trends

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

Revenue Capacity (Not Applicable to Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

PACE CHARTER SCHOOL OF HAMILTON
Net Assets/Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Invested in capital assets, net of related debt	$ -	$ -	$ 124,763	$ 134,796	$ 79,333	$ -	$ -	$ -	$ -	$ -
Unrestricted	(178,199)	(119,579)	274,953	546,562	518,927	498,734	608,050	508,961	353,245	100,018
Total Governmental Activities Net Assets/Position	$ (178,199)	$ (119,579)	$ 399,716	$ 681,358	$ 598,260	$ 498,734	$ 608,050	$ 508,961	$ 353,245	$ 100,018
Business-Type Activities										
Unrestricted	$ 102,147	$ 77,869	$ 45,419	$ 11,171	$ (6,331)	$ (10,186)	$ (7,669)	(407)	491	688
Total Business-Type Activities Net Assets/Position	$ 102,147	$ 77,869	$ 45,419	$ 11,171	$ (6,331)	$ (10,186)	$ (7,669)	$ (407)	$ 491	$ 688
Charter School-wide										
Unrestricted	$ (76,052)	$ (41,710)	$ 320,372	$ 557,733	$ 512,596	$ 488,548	$ 600,381	$ 508,554	$ 353,736	$ 100,706
Total Charter School-wide Net Assets/Position	$ (76,052)	$ (41,710)	$ 445,135	$ 692,529	$ 591,929	$ 488,548	$ 600,381	$ 508,554	$ 353,736	$ 100,706

Source: Charter School's Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities:										
Instruction	$ 1,917,992	$ 1,661,543	$ 1,574,055	$ 1,526,772	$ 1,483,232	$ 951,479	$ 549,670	$ 574,591	$ 758,129	$ 683,923
Administration	2,081,866	1,523,278	1,307,928	942,377	385,112	330,549	406,666	370,820	341,404	347,352
Support Services	1,007,208	987,655	689,176	780,511	316,351	462,625	575,935	370,090	326,510	365,445
Capital Outlay	-	-	-	-	-	-	-	-	-	1,076
Unallocated	-	-	10,033	10,033	5,667	-	-	-	-	-
Total Governmental Activites Expenses	5,007,066	4,172,476	3,581,192	3,259,693	2,190,362	1,744,653	1,532,271	1,315,501	1,426,043	1,397,796
Business-Type Activities:										
Food Service	136,716	112,563	110,917	100,294	73,191	52,397	51,940	41,028	54,435	39,947
Total Business-Type Activites Expenses	136,716	112,563	110,917	100,294	73,191	52,397	51,940	41,028	54,435	39,947
Total Charter School Expenses	$ 5,143,782	$ 4,285,039	$ 3,692,109	$ 3,359,987	$ 2,263,553	$ 1,797,050	$ 1,584,211	$ 1,356,529	$ 1,480,478	$ 1,437,743
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	$ 23,232	$ 14,458	$ 21,599	$ 17,215	$ 4,303	$ -	$ 3,868	$ 18,899	$ 18,952	$ -
Total Governmental Activites Expenses	23,232	14,458	21,599	17,215	4,303	-	3,868	18,899	18,952	-
Business-Type Activities:										
Charges for Services	9,205	4,924	5,171	4,985	5,928	4,255	5,594	3,095	3,667	4,916
Operating Grants and Contributions	151,789	140,089	139,945	112,811	71,118	45,625	39,084	37,035	32,571	27,887
Total Business-Type Activites Expenses	160,994	145,013	145,116	117,796	77,046	49,880	44,678	40,130	36,238	32,803
Total Charter School Prgram Revenue	$ 184,226	$ 159,471	$ 166,715	$ 135,011	$ 81,349	$ 49,880	$ 48,546	$ 59,029	$ 55,190	$ 32,803
Net (Expense)/Revenue										
Governmental Activities	$ (4,983,834)	$ (4,158,018)	$ (3,559,593)	$ (3,242,478)	$ (2,186,059)	$ (1,744,653)	$ (1,528,403)	$ (1,296,602)	$ (1,407,091)	$ (1,397,796)
Business-Type Activities	24,278	32,450	34,199	17,502	3,855	(2,517)	(7,262)	(898)	(18,197)	(7,144)
Total Charter School Net Expense	$ (4,959,556)	$ (4,125,568)	$ (3,525,394)	$ (3,224,976)	$ (2,182,204)	$ (1,747,170)	$ (1,535,665)	$ (1,297,500)	$ (1,425,288)	$ (1,404,940)
General Revenues										
Governmental Activities:										
General Purposes	$ 1,108,428	$ 836,420	$ 742,917	$ 671,935	$ 399,114	$ 232,360	$ 263,753	$ 299,406	$ 229,685	$ 211,019
Federal and State Aid Not Restricted	3,816,786	2,949,911	2,862,636	2,585,546	1,886,472	1,401,578	1,363,740	1,152,911	1,430,213	1,180,601
Investment Earnings	-	-	-	-	-	-	-	-	420	108
Miscellaneous Income	-	-	-	15,524	-	1,399	-	-	-	-
Total Governmental Activities	4,925,214	3,786,331	3,605,553	3,273,005	2,285,586	1,635,337	1,627,493	1,452,317	1,660,318	1,391,728
Business-Type Activities:										
Investment Earnings	-	-	-	-	8	-	-	-	-	-
Miscellaneous Income	-	-	49	-	-	-	-	-	18,000	4,000
Total Business-Type Activites Expenses	-	-	49	-	8	-	-	-	18,000	4,000
Total Charter School Wide	$ 4,925,214	$ 3,786,331	$ 3,605,602	$ 3,273,005	$ 2,285,594	$ 1,635,337	$ 1,627,493	$ 1,452,317	$ 1,678,318	$ 1,395,728
Change in Net Assets/Position										
Governmental Activities	$ (58,620)	$ (371,687)	$ 45,960	$ 30,527	$ 99,527	$ (109,316)	$ 99,090	$ 155,715	$ 253,227	$ (6,068)
Business-Type Activities	24,278	32,450	34,248	17,502	3,863	(2,517)	(7,262)	(898)	(197)	(3,144)
Total Charter School	$ (34,342)	$ (339,237)	$ 80,208	$ 48,029	$ 103,390	$ (111,833)	$ 91,828	$ 154,817	$ 253,030	$ (9,212)

Source: Charter School's Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unassigned	609,948	532,876	701,066	546,562	518,928	498,734	608,050	508,961	353,245	100,018
Total General Fund	$ 609,948	$ 532,876	$ 701,066	$ 546,562	$ 518,928	$ 498,734	$ 608,050	$ 508,961	$ 353,245	$ 100,018

Source: Charter School's Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local Sources:	1,108,428	917,284	$ 742,917	$ 687,459	$ 399,114	$ 233,759	$ 263,753	$ 299,406	$ 230,105	$ 211,127
State Sources	3,088,995	2,676,416	2,538,554	2,390,640	1,635,319	1,297,877	1,267,135	1,067,205	1,280,206	1,067,804
Federal Sources	230,261	207,089	293,342	212,121	255,456	103,701	100,473	104,605	168,959	112,797
Total Revenues	4,427,684	3,800,789	3,574,813	3,290,220	2,289,889	1,635,337	1,631,361	1,471,216	1,679,270	1,391,728
Expenditures:										
Instruction	1,917,992	1,661,543	1,574,055	1,526,772	1,199,404	734,117	472,566	459,885	647,282	593,465
Administration	1,425,412	1,319,781	1,209,418	889,806	680,402	585,402	545,875	510,124	454,756	444,667
Support Services	1,007,208	987,655	689,176	780,511	304,889	425,134	513,830	345,492	324,005	358,588
Capital Outlay	-	-	-	65,496	85,000	-	-	-	-	1,076
Total Expenditures	4,350,612	3,968,979	3,472,649	3,262,585	2,269,695	1,744,653	1,532,271	1,315,501	1,426,043	1,397,796
Net Change in Fund Balance	$ 77,072	$ (168,190)	$ 102,164	$ 27,635	$ 20,194	$ (109,316)	$ 99,090	$ 155,715	$ 253,227	$ (6,068)

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Donations	Interest	Miscellaneous Revenue	Total
2018	$ -	$ -	$ -	$ -
2017	-	-	-	-
2016	-	-	-	-
2015	-	-	15,524	15,524
2014	-	-	-	-
2013	-	-	1,399	1,399
2012	-	-	-	-
2011	-	-	-	-
2010	-	420	-	420
2009	-	108	-	108

Source: Charter School's Records

OPERATING INFORMATION

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	25	23	24	26	14	11	8	11	11	10
Administrative	2	2	2	2	2	2	2	3	3	3
Support Services	10	13	10	10	6	2	4	3	3	2
Food Service	3	3	4	4	3	4	3	2	2	2
Total	40	41	40	42	25	19	17	19	19	17

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2018	300	$ 4,350,612	14,502	-8.65%	25	12:1	294.7	289.9	20.29%	98.37%
2017	250	3,968,979	15,876	8.35%	24	10.9:1	245.0	240.1	3.38%	98.00%
2016	237	3,472,649	14,653	-1.01%	26	9.8:1	237.0	234.0	9.72%	98.73%
2015	216	3,197,089	14,801	0.95%	11	10.64:1	216.0	214.0	51.05%	99.07%
2014	149	2,184,695	14,662	-1.67%	8	10.64:1	143.0	139.0	27.68%	97.20%
2013	117	1,744,653	14,912	13.86%	11	14.62:1	112.0	109.0	-0.88%	97.32%
2012	117	1,532,271	13,096	11.50%	10	10.45:1	113.0	109.7	0.89%	97.08%
2011	112	1,315,500	11,746	-1.16%	10	11.69:1	112.0	112.0	-6.67%	100.00%
2010	120	1,426,043	11,884	2.10%	10	11.69:1	120.0	120.0	0.00%	100.00%
2009	120	1,396,720	11,639	26.72%	10	11.69:1	120.0	120.0	0.00%	100.00%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

Source: Charter School's Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Charter School Building										
Lower School										
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (students)	120	120	120	120	120	120	120	120	120	115
Enrollment	117	117	117	149	117	117	112	120	120	115

Number of Schools at June 30, 2018
Lower School = 1

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON
Insurance Schedule
June 30, 2018
(Unaudited)

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

Source: Charter School's Records

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

	2016 Audit	2017 Audit	2018 Audit	Source
Cash	$ 610,297	$ 523,280	$ 416,399	Audit: Exhibit A-1
Current Assets (includes CASH)	1,001,468	787,099	746,206	Audit: Exhibit A-1
Total Assets	1,673,115	1,786,011	1,421,543	Audit: Exhibit A-1
Current Liabilities	254,983	176,354	34,111	Audit: Exhibit A-1
Total Liabilities	270,379	1,840,327	1,243,948	Audit: Exhibit A-1
Net Assets	445,135	(41,710)	(76,052)	Audit: Exhibit A-1
Total Revenue	3,772,317	3,945,802	5,109,440	Audit: Exhibit A-2
Total Expenses	3,692,109	4,285,039	5,143,782	Audit: Exhibit A-2
Change in Net Assets	80,208	(339,237)	(34,342)	Audit: Exhibit A-2
Depreciation Expense	-	-	-	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	237	245	290	DOE Enrollment Reports
March 30th Budgeted Enrollment	237	250	300	Charter School Budget

Changes

RATIOS ANALYSIS...

Near Term Indicators		2013	2014	2015	3 YR CUM	Source:	Target
1a.	Current Ratio	3.93	4.46	21.88		Current Assets/Current Liabilities	> 1.1
1b.	Unrestricted Days Cash	60.33	44.57	29.55		Cash/(Total Expenses/365)	30-60
1c.	Enrollment Variance	100%	98%	97%		Average Daily Enrollment/Budgeted Enrollment	>95%
1d.*	Default	N/A	N/A	N/A		Audit	not in default
Sustainability Indicators							
2a.	Total Margin	2%	-9%	-1%	-2%	Change in Net Assets/Total Revenue	positive
2b.	Debt to Asset	0.16	1.03	0.88		Total Liabilities/Total Assets	<.9
2c. **	Cash Flow	(201,094)	(87,017)	(106,881)	(394,992)	Net change in cash flow from prior years	3 yr cum positive
2d.	Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

* Is school in default of loan covenant(s) and/or is deliquent with debt service payments? Yes or No

** 2018 = 2018 Cash - 2017 Cash; 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash

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

SINGLE AUDIT SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 303
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2018, 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 January 28, 2019

Internal Control over Financial Reporting

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

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

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

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

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 matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of This Report

The purpose of this report is solely to describe the scope of 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

Barre & Company LLC, CPA's
Union New Jersey

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

January 28, 2019

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 303
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

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

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

Report on Compliance for Each Major State Program

We have audited the Pace Charter School of Hamilton's compliance with the types of compliance requirements described in the New Jersey Circular 15-08 OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2018. The Pace Charter School of Hamilton'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 federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements as prescribed by the *Office of School Finance, Department of Education, State of New Jersey*; New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, Uniform Guidance and New Jersey Circular 15-08 OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Barre & Company LLC

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

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

January 28, 2019

K-3
Schedule A

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	FAIN	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2017	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2018 Accounts Receivable	Balance at June 30, 2018 Deferred Revenue	Balance at June 30, 2018 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	S010A150030	NCLB - 7500 - 18	$ 164,861	9/1/17	8/31/18	$ -	$ -	$ 164,861	$ (164,861)	$ -	$ -	$ -	$ -	$ -
Title II Part A	84.367A	S367A150029	NCLB - 7500 - 18	13,344	9/1/17	8/31/18			13,344	(13,344)					
Total No Child Left Behind Cluster							-	-	*178,205*	*(178,205)*	-	-	-	-	-
Special Education Cluster (IDEA):															
I.D.E.A. Part B Basic	84.027	H027A150100	IDEA - 7500 - 18	52,056	9/1/17	8/31/18			52,056	(52,056)					
Total Special Education Cluster (IDEA)							-	-	*52,056*	*(52,056)*	-	-	-	-	-
Total Special Revenue Fund							-	-	230,261	(230,261)	-	-	-	-	-
U.S. Department of Agriculture															
Passed-through State Department of Agriculture															
Enterprise Fund:															
National School Breakfast Program	10.553	16161NJ304N1099	N/A	36,925	7/1/17	6/30/18			34,753	(36,925)			(2,172)		
National School Breakfast Program	10.553	16161NJ304N1099	N/A	-	7/1/16	6/30/17	(2,132)		2,132						
National School Lunch Program	10.555	16161NJ304N1099	N/A	112,664	7/1/17	6/30/18			105,473	(112,664)			(7,191)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	-	7/1/16	6/30/17	(4,800)		4,800						
Total Enterprise Fund							(6,932)	-	147,158	(149,589)	-	-	(9,363)	-	-
Sub-Total Federal Financial Awards							$ (6,932)	$ -	$ 377,419	$ (379,850)	$ -	$ -	$ (9,363)	$ -	$ -

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

K-4
Schedule B

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2018

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2017 Deferred Revenue (Accounts Receivable)	Balance at June 30, 2017 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2018 (Accounts Receivable)	Balance at June 30, 2018 Deferred Revenue/ Interfund Payable	Balance at June 30, 2018 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education															
General Fund:															
State Aid- Public Cluster															
Equalization Aid	18-495-034-5120-078	2,315,574	7/1/17	6/30/18	$ -	$ -		$ 2,163,672	$ (2,315,574)	$ -	$ (151,902)	$ -	$ -	$ 151,902	$ 2,315,574
Special Education Aid	18-495-034-5120-089	23,232	7/1/17	6/30/18				23,232	(23,232)						23,232
Security Aid	18-495-034-5120-084	67,524	7/1/17	6/30/18				67,524	(67,524)						67,524
Adjustment Aid	18-495-034-5120-085	231,340	7/1/17	6/30/18				241,644	(231,340)				10,304	(10,304)	231,340
Total State Aid- Public Cluster								*2,496,072*	*(2,637,670)*		*(151,902)*		*10,304*	*141,598*	*2,637,670*
Nonpublic Aid	18-100-034-5068-042	8,177	7/1/17	6/30/18				8,177	(8,177)						8,177
On-Behalf Post-Retirement Medical Contributions	18-495-034-5095-001	123,929	7/1/17	6/30/18				126,929	(126,929)					(3,000)	126,929
On-Behalf TPAF Pension Contributions	18-495-034-5095-006	196,521	7/1/17	6/30/18				196,521	(196,521)						196,521
On-Behalf TPAF Long Term Disability Insurance Contributions	18-495-034-5095-004	848	7/1/17	6/30/18				848	(848)						848
Reimbursed TPAF - Social Security	18-495-034-5095-002	118,850	7/1/17	6/30/18				118,850	(118,850)						118,850
Reimbursed TPAF - Social Security	17-495-034-5095-002	-	7/1/16	6/30/17											
Total General Fund					-	-	-	2,947,397	(3,088,995)	-	(151,902)	-	10,304	138,598	3,088,995
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program (State Share)	18-100-010-3350-023	2,200	7/1/17	6/30/18				2,058	(2,200)		(142)			142	2,200
National School Lunch Program (State Share)	17-100-010-3350-023	1,563	7/1/16	6/30/17	(86)			86							
Total Enterprise Fund					(86)	-	-	2,144	(2,200)	-	(142)	-	-	142	2,200
Total State Financial Assistance					$ (86)	$ -	$ -	$ 2,949,541	$ (3,091,195)	$ -	$ (152,044)	$ -	$ 10,304	$ 138,740	$ 3,091,195
State Financial Assistance Not to Subject to Major Program Determination:															
General Fund:															
On-Behalf Post-Retirement Medical Contributions	18-495-034-5095-001	123,929	7/1/17	6/30/18	-	-	-	(126,929)	126,929	-	-	-	-	3,000	126,929
On-Behalf TPAF Pension Contributions	18-495-034-5095-006	196,521	7/1/17	6/30/18	-	-	-	(196,521)	196,521	-	-	-	-		196,521
On-Behalf TPAF Long Term Disability Insurance Contributions	18-495-034-5095-004	848	7/1/17	6/30/18	-	-	-	(848)	848	-	-	-	-		848
Total On-Behalf TPAF Payments					-	-	-	(324,298)	324,298	-	-	-	-	3,000	324,298
Total State Financial Assistance Subject to Major Program Determination					$ (86)	$ -	$ -	$ 2,625,243	$ (2,766,897)	$ -	$ (152,044)	$ -	$ 10,304	$ 141,740	$ 3,415,493

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

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2018

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures Of Awards and Financial Assistance
June 30, 2018

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

	Federal	State	Total
General Fund	$ -	$ 3,088,995	$ 3,088,995
Special Revenue Fund	230,261	-	230,261
Food Service Fund	149,589	2,200	151,789
Total Awards & Financial Assistance	$ 379,850	$ 3,091,195	$ 3,471,045

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Pace Charter School of Hamilton has no loan balances outstanding at June 30, 2018.

NOTE 6. OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2018. 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, 2018.

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

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

NOTE 8. DE MINIMIS INDIRECT COST RATE

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

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

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

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:		$750,000
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No
Type of auditors' report issued on compliance for major programs		Unmodified
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?	__X___ Yes	_____ None Reported
Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08 OMB?	_____ Yes	__X__ No

Identification of major state programs:

GMIS Number(s)	Name of State Program
	STATE AID-PUBLIC CLUSTER:
18-495-034-5120-078	EQUALIZATION AID
18-495-034-5120-089	SPECIAL EDUCATION CATEGORICAL AID
18-495-034-5120-084	SECURITY AID
18-495-034-5120-085	ADJUSTMENT AID

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section II –Schedule of Financial Statement Findings

The section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a NJ Circular 15-08 OMB. See paragraphs 13. 15 and 13, 35

No Current Year Findings

Section III –State Financial Assistance Findings and Questioned Costs

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

STATE AWARDS

No Current Year Findings.

PACE CHARTER SCHOOL OF HAMILTON
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2018

STATUS OF PRIOR YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

Findings

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

During the months of August 2016, May 2017, and June 2017, the school leader used a credit card to purchase computer equipment in the amount of $73,300. According to New Jersey statutory requirements charter schools may not use credit cards for the purchase of goods and services. Improper review of disbursements by the Board of Trustees can lead to errors and fraudulent activity that can go undetected

Status: Corrected. Credit cards were not used for purchases and the board was informed of the condition.

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

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

Status: Corrected. Credit cards were not used for purchases.