

**PRINCETON CHARTER SCHOOL**

**Board of Trustees  
Princeton Charter School  
Princeton, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**PRINCETON CHARTER SCHOOL**

**Princeton, New Jersey**

**For the Fiscal Year Ended June 30, 2018**

**Prepared by  
Princeton Charter School  
Finance Department**

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INTRODUCTORY SECTION

# Princeton Charter School

100 Bunn Drive  
Princeton, NJ 08540  
609-924-0575

January 31, 2019

The Honorable President and Members  
of the Board of Trustees  
Princeton Charter School  
Princeton, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Princeton Charter School (the "Charter School") for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart, roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, 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 supplementary 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 Charter School is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports 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.

## 1) REPORTING ENTITY AND ITS SERVICES

The Princeton Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. The Princeton Charter School constitutes the Charter School's reporting entity.

Princeton Charter School is a K-8 independent public school, operated by a Board of Trustees under a charter granted by the Commissioner of Education of the State of New Jersey. The Charter School opened in 1997 as a fourth grade through sixth grade elementary school. It currently operates a kindergarten through eighth grade school with a diverse student population of students and staff. Princeton Charter School's charter was renewed in February of 2016 for a five-year term; this was the Charter School's fourth renewal. The Acting Commissioner, in granting the Charter School's renewal, praised the Charter School for its academic accomplishments and student success. The Charter School's next renewal application process will take place in the 2020-2021 school year.

### 1) REPORTING ENTITY AND ITS SERVICES (Cont'd)

There are three (3) school buildings on the Charter School's campus, all of which are in good condition. The buildings are as follows: K-4 building (lower school) built in 2003, 5-8 building (upper school) built in 1963 and renovated into a school building in 1998, and the campus center, built in 2010, which houses a gym, 3 classrooms and a black box theatre. There is also a business office, known as the Marsee Center, located on the Charter School's campus.

The Charter School completed the 2017-2018 school year with an enrollment of 398 students.

### 2) ECONOMIC CONDITION AND OUTLOOK

Princeton Charter School is located within the municipality of Princeton and the financial resources it receives flow through the Princeton Public School District (district of residence) on a per-pupil basis. The economy in Princeton is flat and home properties are generally holding their value. Most of the undeveloped land in Princeton is held by Princeton University. It is believed there may be some commercial and residential growth potential within the municipality. Princeton Charter School's current per-pupil funding is flat, based on the implications of the School Funding Reform Act of 2008. Princeton Charter School's buildings are in good condition and there are not any major building renovations anticipated in the near future.

### 3) INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the Charter School also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system 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 system, including that portion related to major federal and state award programs, as well as to determine that the Charter School has complied with applicable laws, regulations, contracts and grants.

### 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 a vote of the Board of Trustees. Annual appropriated budgets are adopted for the General and Special Revenue Funds. Project length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the period is reflected in the financial section.



An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2018.

5) ACCOUNTING SYSTEM AND REPORTS

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

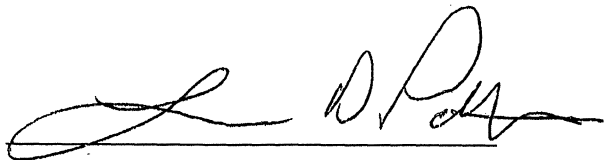
6) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP was selected by the Board of Trustees at its organization meeting.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

7) ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Board of Trustees of the Princeton Charter School for their concern in providing fiscal accountability to the citizens and participating districts of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

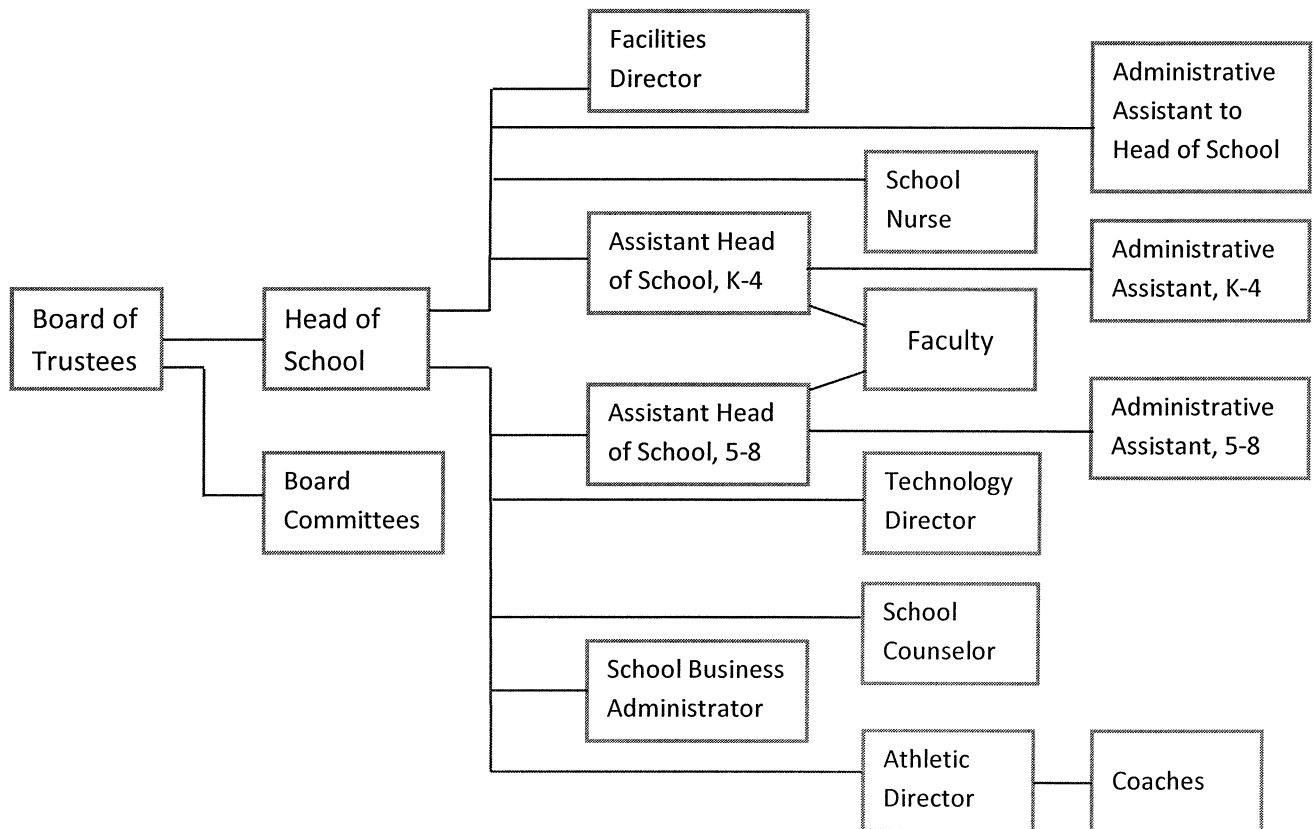


Lawrence D. Patton/Head of School



Michael Falkowski /Business Administrator

# Princeton Charter School Organizational Chart



PRINCETON CHARTER SCHOOL  
 ROSTER OF OFFICIALS  
 JUNE 30, 2018

<u>Board of Trustees</u>	<u>Position</u>	<u>Expiration of Term</u>
Maryellen McQuade	President	June 2021
Brandice Canes-Wrone	Vice President	June 2020
Stefanos Damianakis	Treasurer	June 2020
Roxanna Campbell	Member	June 2020
Rebecca Feder	Member	June 2021
Lorie Roth	Member	June 2019
Harlan Tenenbaum	Member	June 2019
Lily Zou	Member	June 2019

Other Officials

Title

Lawrence D. Patton

Head of School

Michael Falkowski

Business Administrator/Board Secretary

**PRINCETON CHARTER SCHOOL  
CONSULTANTS AND ADVISORS**

**Audit Firm**

**Nisivoccia LLP**

Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ, 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Attorney**

**Busch Law Group, LLC**

450 Main Street  
Metuchen, NJ 08840

**Official Depository**

**Peapack Gladstone Bank**

300 Carnegie Center  
Princeton, NJ 08540

FINANCIAL SECTION

## Independent Auditors' Report

The Honorable President and Members  
of the Board of Trustees  
Princeton Charter School  
County of Mercer, 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 Princeton Charter School (the "Charter School") in the County of Mercer, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that 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 Charter School'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 Charter School'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 Princeton Charter School, in the County of Mercer, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 14 to the basic financial statements, the District 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**

The financial statement of the Princeton Charter School as of June 30, 2017 were audited by another auditor whose report dated May 1, 2018 expressed an unmodified opinion on those statements.

## *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and post-employment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses 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.

## *Other Information*

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 on our consideration of the Charter School's internal control over financial reporting and on 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* in considering the Charter School's internal control over financial reporting and compliance.

January 31, 2019  
Mount Arlington, New Jersey

*Nisivoccia, LLP*

NISIVOCCIA LLP

*Kathryn L. Mantell*

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Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant



REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**PRINCETON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

This section of Princeton Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

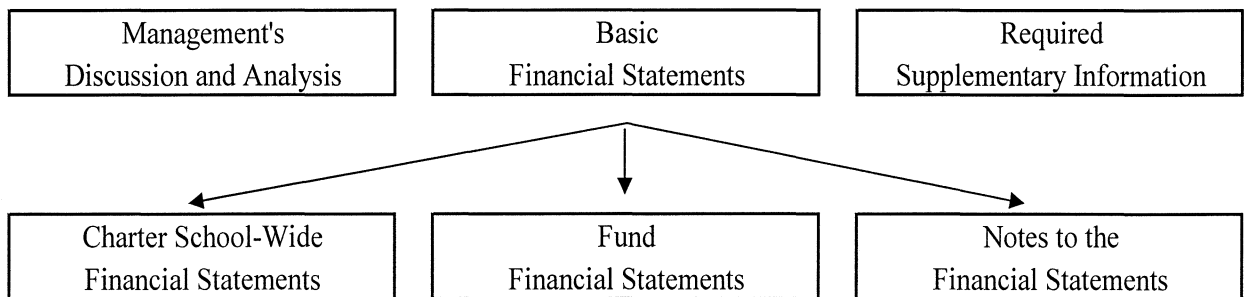
**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are *Charter School-wide financial statements* that provide both *short-term* and *long-term* information about the Charter School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the School's operations in *more* detail than the Charter School-Wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The *proprietary funds statements* offer short- and long-term financial information about the activities the School operates like a business, such as food services and student programs.
- *Fiduciary funds statements* provide information about the financial relationships in which the Charter School acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Charter School's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Organization of the Princeton Charter School's Financial Report**



**PRINCETON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

Figure A-2 summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**Figure A-2**

*Major Features of the Charter School-wide and Fund Financial Statements*

	Charter School-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: food services and student programs	Instances in which the School administers resources on behalf of someone else, such as student activities and unemployment trust
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**PRINCETON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

***Charter School-wide Statements***

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

The two Charter School-wide statements report the Charter School's *net position* and how they have changed. Net positions – the difference between the Charter School's assets, outflows and deferred inflows, and liabilities – is one way to measure the Charter School's financial health or *position*.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Charter School's overall health, you need to consider additional nonfinancial factors such as changes in the Charter School's property tax base and enrollment and the condition of school buildings and other facilities.

In the Charter School-wide financial statements, the School's activities are in the following categories:

- *Governmental activities*: Most of the Charter School's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service and student programs are included here.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Charter School's funds, focusing on its most significant or "major" funds – not the Charter School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Charter School establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The School has three kinds of funds:

- *Governmental funds*: Most of the Charter School's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs. Because this information does not encompass the additional long-term focus of the Charter School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Charter School-wide statements. The Charter School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information (such as cash flows). *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The Charter School currently does not maintain any internal service funds.

**PRINCETON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

- *Fiduciary funds:* The Charter School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The Charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Charter School excludes these activities from the Charter School-wide financial statements because it cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

**Financial Analysis of the School as a Whole**

*Net Position.* The Charter School's *combined* net position was \$3,369,527 as of June 30, 2018 – a decrease of \$227,163, or 6.32% from the prior year. (See Figure A-3).

**Figure A-3  
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total Charter School		% Change
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017	
Current and							
Other Assets	\$ 676,564	\$ 675,380	\$ 18,483	\$ 36,887	\$ 695,047	\$ 712,267	
Capital Assets, Net	10,156,742	10,632,528	11,547	12,772	10,168,289	10,645,300	
Total Assets	10,833,306	11,307,908	30,030	49,659	10,863,336	11,357,567	-4.35%
Deferred Outflows of Resources	980,546	1,412,882			980,546	1,412,882	-30.60%
Other Liabilities	80,242	109,619	9,157	27,455	89,399	137,074	
Long-Term Liabilities	8,107,229	8,984,997			8,107,229	8,984,997	
Total Liabilities	8,187,471	9,094,616	9,157	27,455	8,196,628	9,122,071	-10.15%
Deferred Inflows of Resources	277,727	51,688			277,727	51,688	437.31%
Net Position:							
Investment in							
Capital Assets	3,008,598	3,269,440	11,547	12,772	3,020,145	3,282,212	
Unrestricted	340,056	305,046	9,326	9,432	349,382	314,478	
Total Net Position	\$ 3,348,654	\$ 3,574,486	\$ 20,873	\$ 22,204	\$ 3,369,527	\$ 3,596,690	-6.32%

**PRINCETON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

*Changes in Net Position.* The Charter School's combined net position decreased by \$227,163 – governmental activities decreased \$225,832 and business-type activities decreased \$1,331. The Charter School's net position invested in capital assets decreased primarily due to the depreciation of capital assets and unrestricted net position increased primarily due to the decrease in net pension liability.

**Figure A-4  
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		% Change
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017	
Revenue:							
Program Revenue:							
Charges for Services			\$ 261,416	\$ 212,245	\$ 261,416	\$ 212,245	
Operating Grants and Contributions	\$ 2,146,694	\$ 1,777,953	38,886	28,887	2,185,580	1,806,840	
General Revenue:							
Local Levy - Charter School Aid	5,245,919	4,693,659			5,245,919	4,693,659	
Unrestricted Federal & State Aid	776,291	751,918			776,291	751,918	
Other	170,672	41,790			170,672	41,790	
Total Revenue	<u>8,339,576</u>	<u>7,265,320</u>	<u>300,302</u>	<u>241,132</u>	<u>8,639,878</u>	<u>7,506,452</u>	15.10%
Expenses:							
Instruction	5,629,184	4,445,743			5,629,184	4,445,743	
Student & Instruction Related Services	163,637	466,995			163,637	466,995	
Administrative & Business	1,424,708	1,353,676			1,424,708	1,353,676	
Maintenance & Operations	582,444	680,032			582,444	680,032	
Pupil Transportation	8,615	13,171			8,615	13,171	
Other	747,664	754,964	310,789	248,462	1,058,453	1,003,426	
Total Expenses	<u>8,556,252</u>	<u>7,714,581</u>	<u>310,789</u>	<u>248,462</u>	<u>8,867,041</u>	<u>7,963,043</u>	11.35%
Transfers	<u>(9,156)</u>	<u>(10,000)</u>	<u>9,156</u>	<u>10,000</u>			0.00%
Change in Net Position	<u>\$ (225,832)</u>	<u>\$ (459,261)</u>	<u>\$ (1,331)</u>	<u>\$ 2,670</u>	<u>\$ (227,163)</u>	<u>\$ (456,591)</u>	50.25%

**PRINCETON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Governmental Activities**

The Charter School managed to maintain a healthy financial position as of the end of the year through careful budgeting. Careful management of expenses is essential for the Charter School to sustain its financial health.

Figure A-5 presents the cost of six major Charter School activities: instruction, pupil and instruction services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs):

**Figure A-5  
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017-2018</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2016-2017</u>
Instruction	\$ 5,629,184	\$ 4,445,743	\$ 3,512,559	\$ 3,245,510
Student & Instruction Services	163,637	466,995	163,637	228,657
Administrative & Business	1,424,708	1,353,676	1,424,708	1,070,923
Maintenance & Operations	582,444	680,032	552,375	623,403
Transportation	8,615	13,171	8,615	13,171
Other	747,664	754,964	747,664	754,964
	<u>\$ 8,556,252</u>	<u>\$ 7,714,581</u>	<u>\$ 6,409,558</u>	<u>\$ 5,936,628</u>

**Governmental Activities**

Net position of the Charter School's governmental activities decreased by \$225,832. The decrease is primarily due to depreciation of capital assets offset by the decrease in the net pension liability.

**Business-type Activities**

Net position of the Charter School's business-type activities decreased by \$1,331 (Figure A-4). The decrease is primarily due to expenses increasing more than revenues during the current year.

**Financial Analysis of the Charter School's Funds**

The Charter School's financial position increased during the year mostly due to increased state aid due to an increase in enrollment. The Charter School plans future increases in enrollment as well.

**General Fund Budgetary Highlights**

Over the course of the year, the Charter School revised the annual operating budget several times. These budget amendments represented changes made between budgetary line items for changes in school-based needs for programs, supplies and equipment.

**PRINCETON CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Capital Assets**

Capital assets of governmental activities decreased \$477,011 or 4.48% as a result of annual depreciation of \$520,380 offset by capital additions of \$43,369. (More detailed information about the Charter School's capital assets is presented in the Note 4 to the Financial Statements).

**Figure A-6  
Capital Assets (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Percentage Change</u>
	<u>2017-2018</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2016-2017</u>	
Land	\$ 2,560,000	\$ 2,560,000			\$ 2,560,000	\$ 2,560,000	
Site Improvements	85,050	93,791			85,050	93,791	
Buildings and Building Improvements	7,288,182	7,699,956			7,288,182	7,699,956	
Machinery and Equipment	223,510	278,781	\$ 11,547	\$ 12,772	235,057	291,553	
Total Capital Assets, Net of Depreciation	<u>\$ 10,156,742</u>	<u>\$ 10,632,528</u>	<u>\$ 11,547</u>	<u>\$ 12,772</u>	<u>\$ 10,168,289</u>	<u>\$ 10,645,300</u>	-4.48%

**Long-Term Liabilities**

**Figure A-7  
Long-Term Liabilities**

	<u>Total School District</u>		<u>Percentage Change</u>
	<u>2017-2018</u>	<u>2016-2017</u>	
Mortgage Loan Payable	\$ 7,148,144	\$ 7,363,088	
Derivative Instrument - Interest Rate Swap		266,380	
Net Pension Liability	959,085	1,355,529	
	<u>\$ 8,107,229</u>	<u>\$ 8,984,997</u>	-9.77%

The Charter School's Long-Term Liabilities decreased \$884,968 or 9.77% during the fiscal year. This is due to a decrease in the Net Pension Liability of \$396,444, the change in the derivative instrument – interest rate swap and the current year retirement of the mortgage loans of \$214,944.

**Factors Bearing on the District's Future**

The District is not aware of any significant factors affecting its future.



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

This financial report is designed to provide the Charter School's citizens, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator at 609-924-0575.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

PRINCETON CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 172,331		\$ 172,331
Tax Levy Receivable	9,786		9,786
Receivables from Other Governments:			
Other	12,945	\$ 3,064	16,009
State	10,626	257	10,883
Other Accounts Receivable	59,966	29,827	89,793
Prepaid Expenses	385,119		385,119
Internal Balances	15,165	(15,165)	
Interfund Receivable	4,540	500	5,040
Other Current Assets	2,287		2,287
Non-Current Assets:			
Derivative Instrument - Interest Rate Swap	3,799		3,799
Capital Assets, Net:			
Sites (Land)	2,560,000		2,560,000
Depreciable Site Improvements, Buildings and Building Improvements, and Machinery and Equipment	7,596,742	11,547	7,608,289
<b>Total Assets</b>	<u>10,833,306</u>	<u>30,030</u>	<u>10,863,336</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflows in Pensions	484,256		484,256
Loss on Refunding	496,290		496,290
<b>Total Deferred Outflows of Resources</b>	<u>980,546</u>		<u>980,546</u>
<b>LIABILITIES</b>			
Accounts Payable - Vendors	72,492		72,492
Unearned Revenue	7,750	9,157	16,907
Noncurrent Liabilities:			
Due Within One Year	229,064		229,064
Due Beyond One Year	7,878,165		7,878,165
<b>Total Liabilities</b>	<u>8,187,471</u>	<u>9,157</u>	<u>8,196,628</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Accumulated Increase in Fair Value of Hedging Derivatives	3,799		3,799
Deferred Inflows in Pensions	273,928		273,928
<b>Total Deferred Inflows of Resources</b>	<u>277,727</u>		<u>277,727</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,008,598	11,547	3,020,145
Unrestricted	340,056	9,326	349,382
<b>Total Net Position</b>	<u>\$ 3,348,654</u>	<u>\$ 20,873</u>	<u>\$ 3,369,527</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 5,573,943		\$ 1,997,794	\$ (3,576,149)		\$ (3,576,149)
Special Education	51,007		118,831	67,824		67,824
Other Instruction	4,234			(4,234)		(4,234)
Support Services:						
Student & Instruction Related Services	163,637			(163,637)		(163,637)
General Administrative Services	833,825			(833,825)		(833,825)
School Administrative Services	255,204			(255,204)		(255,204)
Central Services	219,939			(219,939)		(219,939)
Administrative Information Technology	115,740			(115,740)		(115,740)
Plant Operations and Maintenance	582,444		30,069	(552,375)		(552,375)
Pupil Transportation	8,615			(8,615)		(8,615)
Unallocated Depreciation	476,784			(476,784)		(476,784)
Interest on Long-Term Debt	270,880			(270,880)		(270,880)
Total Governmental Activities	8,556,252		2,146,694	(6,409,558)		(6,409,558)
Business-Type Activities:						
Food Service	127,568	\$ 105,384	13,886		\$ (8,298)	(8,298)
Student Programs	183,221	156,032	25,000		(2,189)	(2,189)
Total Business-Type Activities	310,789	261,416	38,886		(10,487)	(10,487)
Total Primary Government	\$ 8,867,041	\$ 261,416	\$ 2,185,580	(6,409,558)	(10,487)	(6,420,045)

PRINCETON CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenue:			
Local Levy	\$ 5,245,919		\$ 5,245,919
Unrestricted Federal and State Aid	776,291		776,291
Miscellaneous Income	170,672		170,672
Transfers	(9,156)	\$ 9,156	
	6,183,726	9,156	6,192,882
Total General Revenues and Transfers			
Change in Net Position	(225,832)	(1,331)	(227,163)
Net Position - Beginning	3,574,486	22,204	3,596,690
Net Position - Ending	\$ 3,348,654	\$ 20,873	\$ 3,369,527

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

PRINCETON CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 159,611	\$ 12,720	\$ 172,331
Tax Levy Receivable	9,786		9,786
Interfund Receivable:			
Food Service Program	14,138		14,138
Payroll Agency	4,540		4,540
Student Programs	1,027		1,027
Receivables From Other Governments:			
State	10,626		10,626
Other	12,945		12,945
Other Accounts Receivable	59,966		59,966
Prepaid Expense	385,119		385,119
Other Current Assets	2,287		2,287
Total Assets	\$ 660,045	\$ 12,720	\$ 672,765
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable - Vendors	\$ 10,228	\$ 4,970	\$ 15,198
Unearned Revenue		7,750	7,750
Total Liabilities	10,228	12,720	22,948
Fund Balances:			
Unassigned:			
General Fund	649,817		649,817
Total Fund Balances	649,817		649,817
Total Liabilities and Fund Balances	\$ 660,045	\$ 12,720	



PRINCETON CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>Total Governmental Funds</u>
Amounts Reported for <i>Governmental Activities</i> in the <i>Statement of Net Position</i> (A-1) is Different Because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the Funds.	\$ 10,156,742
Derivative Instrument - Interest Rate Swap	3,799
A loss on refunding is reported as an expenditure in the governmental funds in the year the mortgage loans were refunded.	496,290
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(959,085)
Certain amounts related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities are not reported in the Governmental Funds:	
Deferred Outflows - Pensions	426,962
Deferred Inflows - Pensions	(273,928)
Deferred Inflow - Accumulated Increase in Fair Value of Hedging Derivatives	(3,799)
Long-Term Liabilities, including mortgage loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds (see Note 5).	<u>(7,148,144)</u>
Net Position of Governmental Activities	<u>\$ 3,348,654</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART  
OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Charter School Aid	\$ 5,245,919		\$ 5,245,919
Miscellaneous	170,672		170,672
Total - Local Sources	5,416,591		5,416,591
State Sources	1,704,484		1,704,484
Federal Sources		\$ 180,304	180,304
Total Revenue	7,121,075	180,304	7,301,379
EXPENDITURES			
Current:			
Regular Instruction	3,236,824	25,339	3,262,163
Special Education Instruction		51,007	51,007
Other Instruction	4,148		4,148
Student & Instruction Related Services	47,094	103,958	151,052
General Administrative Services	754,028		754,028
School Administrative Services	205,906		205,906
Central Services	219,939		219,939
Administrative Information Technology	109,322		109,322
Plant Operations and Maintenance	563,594		563,594
Pupil Transportation	8,615		8,615
Employee Benefits	1,389,170		1,389,170
Capital Outlay	489,223		489,223
Total Expenditures	7,027,863	180,304	7,208,167
Excess of Revenue Over Expenditures	93,212		93,212
OTHER FINANCING USES:			
Transfer to Food Service Fund	(9,156)		(9,156)
Total Other Financing Uses	(9,156)		(9,156)
Net Change in Fund Balances	84,056		84,056
Fund Balance—July 1	565,761	-0-	565,761
Fund Balance—June 30	\$ 649,817	\$ -0-	\$ 649,817

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUE, 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 Funds (Exhibit B-2)	\$ 84,056
<p>Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:</p>	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period.	(475,786)
Repayment of the mortgage loan is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	214,944
Governmental funds report the effect of refunding transactions when the debt is first issued, but the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred loss on refunding.	(39,970)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:	
Change in Net Pension Liability	396,444
Change in Deferred Outflows	(183,280)
Change in Deferred Inflows	<u>(222,240)</u>
Change in Net Position - Governmental Funds (Exhibit A-2)	<u>\$ (225,832)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
 ARE AN INTEGRAL PART OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Food Service Program Major Fund</u>	<u>Total Non-Major Fund</u>	<u>Total All Funds</u>
<u>ASSETS:</u>			
Current Assets:			
Accounts Receivable:			
State	\$ 257		\$ 257
Federal	3,064		3,064
Other	8,427	\$ 21,400	29,827
Interfund Receivable		500	500
Total Current Assets	<u>11,748</u>	<u>21,900</u>	<u>33,648</u>
Non-Current Assets:			
Capital Assets	18,820		18,820
Less: Accumulated Depreciation	<u>(7,273)</u>		<u>(7,273)</u>
Total Non-Current Assets	<u>11,547</u>		<u>11,547</u>
Total Assets	<u>23,295</u>	<u>21,900</u>	<u>45,195</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Interfund Payable	14,138	1,027	15,165
Unearned Revenue - Prepaid Sales	<u>9,157</u>		<u>9,157</u>
Total Current Liabilities	<u>23,295</u>	<u>1,027</u>	<u>24,322</u>
<u>NET POSITION:</u>			
Investment in Capital Assets	11,547		11,547
Unrestricted/(Deficit)	<u>(11,547)</u>	<u>20,873</u>	<u>9,326</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 20,873</u>	<u>\$ 20,873</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Food Service Program Major Fund	Total Non-Major Fund	Total All Funds
Operating Revenue			
Local Sources:			
Daily Sales - Reimbursable programs	\$ 105,384		\$ 105,384
Charges and Program Fees		\$ 156,032	156,032
Donations		25,000	25,000
Total Operating Revenue	105,384	181,032	286,416
Operating Expenses:			
Cost of Sales - Reimbursable Programs	102,245		102,245
Salaries, Benefits & Payroll Taxes	21,900	112,327	134,227
Supplies and Materials		7,770	7,770
Rent		40,000	40,000
Purchased Professional Services		18,843	18,843
Depreciation	1,225		1,225
Miscellaneous	2,198	4,281	6,479
Total Operating Expenses	127,568	183,221	310,789
Operating Loss	(22,184)	(2,189)	(24,373)
Non-Operating Revenue:			
State Sources:			
State School Lunch Program	1,071		1,071
Federal Sources:			
National Lunch Program	12,815		12,815
Total Non-Operating Revenue	13,886		13,886
Change in Net Position	(8,298)	(2,189)	(10,487)
Transfer In - General Fund	9,156		9,156
Change in Net Position After Transfer	858	(2,189)	(1,331)
Net Position/(Deficit) - Beginning of Year	(858)	23,062	22,204
Net Position - End of Year	\$ -0-	\$ 20,873	\$ 20,873

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Food Service Program Major Fund	Total Non-Major Fund	Total All Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 106,147		\$ 106,147
Receipts from Program Revenues		\$ 152,888	152,888
Receipts from Donations		25,000	25,000
Payments to Food Service Vendor	(102,114)		(102,114)
Payments to Suppliers	(2,198)	(7,770)	(9,968)
Payments of Salaries, Benefits & Payroll Taxes	(22,031)	(112,326)	(134,357)
Payments for Rent		(40,000)	(40,000)
Payments for Miscellaneous Expenses		(4,781)	(4,781)
Payments for Purchased Professional Services		(18,843)	(18,843)
Net Cash Provided By/(Used for) Operating Activities	<u>(20,196)</u>	<u>(5,832)</u>	<u>(26,028)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from State and Federal Reimbursements	14,757		14,757
Cash Received from Transfers	5,439	1,027	6,466
Net Cash Provided by Noncapital Financing Activities	<u>20,196</u>	<u>1,027</u>	<u>21,223</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,805)	(4,805)
Cash and Cash Equivalents, July 1	-0-	4,805	4,805
Cash and Cash Equivalents, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Reconciliation of Operating Income/(Loss) to			
Net Cash Provided By/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (22,184)	\$ (2,189)	\$ (24,373)
Adjustment to Reconcile Operating Income/(Loss)			
to Cash Provided By/(Used for) Operating Activities:			
Depreciation	1,225		1,225
Changes in assets and liabilities:			
(Increase)/Decrease in Other Accounts Receivable	1,205	(3,143)	(1,938)
(Increase)/Decrease in Interfund Receivable		(500)	(500)
Increase/(Decrease) in Accounts Payable	(442)		(442)
Net Cash Provided By/(Used for) Operating Activities	<u>\$ (20,196)</u>	<u>\$ (5,832)</u>	<u>\$ (26,028)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Agency Funds</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 10,021	\$ 7,023
Payroll Tax Receivable - State	528	
	<hr/>	<hr/>
Total Assets	<u>10,549</u>	<u>7,023</u>
<u>LIABILITIES:</u>		
Due to Student Groups	2,574	
Interfund Payable:		
General Fund	4,540	
Payroll Deductions and Withholdings	3,435	
	<hr/>	<hr/>
Total Liabilities	<u>7,975</u>	
Held in Trust for:		
Unemployment Claims		7,023
	<hr/>	<hr/>
<u>NET POSITION</u>	<u>\$ - 0 -</u>	<u>\$ 7,023</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

PRINCETON CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee Deductions	\$ 6,586
Total Contributions	<u>6,586</u>
Total Additions	<u>6,586</u>
Deductions:	
Unemployment Compensation Claims	<u>9,950</u>
Total Deductions	<u>9,950</u>
Change in Net Position	(3,364)
Net Position - Beginning of the Year	<u>10,387</u>
Net Position - End of the Year	<u><u>\$ 7,023</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT



PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Trustees (the "Board") of the Princeton Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. A School Director is appointed by the Board and is responsible for the administrative control of the Charter School.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the Charter School's Governmental and Business-type activities. These statements include the financial activities of the overall Charter School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between governmental and business type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business type activities are financed in part by fees charged to external parties.

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

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Charter School-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

During the period, 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 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 school financial reporting models.

The Charter School reports the following Governmental Funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not 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 NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The Charter School reports the following proprietary funds:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria and student programs. The food service fund and school program fund are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes the Payroll Agency, Student Activities Agency and the Unemployment Compensation Trust Funds.

C. Measurement Focus and Basis of Accounting

The Charter School-Wide financial statements, the Proprietary and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Charter School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the period for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the period in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the Governmental Funds to be available if the revenue is collected within sixty days after the end of the 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. 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.

It is the Charter School's policy that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the Charter School the entire balance of aid in the amount reported to each district by the State Department of Education. The School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

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. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Trustees. 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 Charter of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary 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).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at the end of the fiscal year.

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	<u>\$ 7,121,075</u>	<u>\$ 180,304</u>
Total Revenues as Reported on the Statement of Revenues,		
Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,121,075</u>	<u>\$ 180,304</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the		
Budgetary Comparison Schedule	<u>\$ 7,027,863</u>	<u>\$ 180,304</u>
Total Expenditures as Reported on the Statement of Revenue,		
Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 7,027,863</u>	<u>\$ 180,304</u>

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash change funds, amounts in deposit, and short-term investments with original maturities of three months or less.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

F. Interfund Transactions:

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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 restricted, committed and/or assigned of fund balances at period-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances: (Cont'd)

Open encumbrances in the Special Revenue Fund for which the Charter School has received advances are reflected in the balance sheet as unearned revenue at period end.

The encumbered appropriation authority carries over into the next period. An entry will be made at the beginning of the next period to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current period end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories which benefit future periods, 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. Prepaid expenses in the enterprise and general funds represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

K. Capital Assets:

During the Charter School's initial year of operation, a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at acquisition cost. The cost of normal maintenance and repairs is not capitalized. The Charter School does not possess any infrastructure. The Charter School would review any capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-Wide statements are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years

In the Fund financial statements, capital assets used in the Governmental Fund operations are accounted for as capital outlay expenditures in the Governmental Funds upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the Fund financial statements.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities:

In the Charter School-Wide Statement of Net Position, long-term debt and other long-term obligations would be reported as liabilities in governmental activities. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

In the Charter School-Wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

M. Accrued Salaries and Wages:

The Charter School does not allow employees, who provide services to the Charter School over the ten-month academic year, the option to have their salaries evenly disbursed during the entire twelve-month year. Therefore, there are no accrued salaries and wages for this purpose at June 30, 2018.

N. Compensated Absences:

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

Employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's policies and employee contracts. Upon separation, certain employees are paid for accrued vacation. Employees can also accumulate unused sick leave which will be paid, with certain limits, upon the employee's retirement or separation pursuant to the Charter School's policy or employee contracts.

In the Charter School-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due after one year.

O. Unearned Revenue:

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: The General Fund balance of \$649,817 at June 30, 2018 is unassigned.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Position:

The net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Charter School that is applicable to a future reporting period. The Charter School had deferred inflows or outflows of resources related to pensions and a deferred outflow for the loss on bond refunding at June 30, 2018 and a deferred inflow for the accumulated increase in fair value of hedging derivatives.

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The Charter School did not have restricted net position at June 30, 2018.

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

R. Deficit Net Position:

The District had a \$11,547 deficit in unrestricted net position in its food service program fund, which is primarily due to operating expenses exceeding revenues. The District plans to resolve the deficit with a budget transfer from the General Fund.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.



PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2018.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources as of June 30, 2018.

T. Revenue - 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 period in which the resources are measurable and become available. Available means the resources will be collected within the current period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the Charter School, available means within sixty days of the period end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the period for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the period 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 period when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at period-end: property taxes, interest and tuition.

U. Management Estimates:

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

V. Interest Rate Swap Contract:

The Charter School utilizes an interest rate swap agreement (derivative financial instrument) to reduce interest rate risk. The Charter School does not hold or issue derivative financial instruments for trading purposes. In accordance with GASB, the Charter School recognizes all derivatives as either assets or liabilities and an offsetting deferred outflow or inflow in the statement of financial position and measures those instruments at fair value. Changes in the fair value of these derivatives are reported in the statement of activities. The fair value of derivative instruments is determined by utilizing forward interest rate estimates and present value techniques.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and Charter School-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

The Charter School classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Charter School ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investment section of this note.

Custodial Credit Risk – The Charter School's policy with respect to custodial credit risk requires that the Charter School ensures that Charter School funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes require that school districts 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. School districts 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 5% of the average daily balance of collected public funds on deposit, and

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.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.); ;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
  - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
  - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
  - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the Charter School consisted of the following:

	Cash and Cash Equivalents
Checking & Savings Accounts	\$ 189,375

During the period ended June 30, 2018, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents at June 30, 2018, was \$189,375 and the bank balance was \$337,894.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance			Balance
	June 30, 2017	Increases	Decreases	June 30, 2018
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 2,560,000			\$ 2,560,000
Total Capital Assets not Being Depreciated	2,560,000			2,560,000
Capital Assets Being Depreciated:				
Site Improvements	307,441	\$ 2,115		309,556
Buildings and Building Improvements	12,428,881	41,254		12,470,135
Machinery and Equipment	1,106,650			1,106,650
Total Capital Assets Being Depreciated	13,842,972	43,369		13,886,341
Governmental Activities Capital Assets	16,402,972	43,369		16,446,341
Less Accumulated Depreciation for:				
Site Improvements	(213,650)	(10,856)		(224,506)
Buildings and Building Improvements	(4,728,925)	(453,028)		(5,181,953)
Machinery and Equipment	(827,869)	(55,271)		(883,140)
Total Accumulated Depreciation	(5,770,444)	(519,155)		(6,289,599)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	10,632,528	(475,786)		10,156,742
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	18,820			18,820
Less Accumulated Depreciation	6,048	1,225		7,273
Business Type Activities Capital Assets, Net of Accumulated Depreciation	12,772	1,225		11,547
GRAND TOTAL	\$ 10,645,300	\$ (474,561)	\$ - 0 -	\$ 10,168,289

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 8,919
Other Instruction	86
Student and Instruction Related Services	12,585
School Administrative Services	20,162
Plant Operations and Maintenance	619
Unallocated	476,784
	<u>\$ 519,155</u>

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 5. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2017	Accrued	Retired	Balance June 30, 2018
Mortgage Loans Payable	\$ 7,363,088		\$ 214,944	\$ 7,148,144
Derivative Instrument - Interest Rate Swap	266,380		266,380	
Net Pension Liability	1,355,529		396,444	959,085
	\$ 8,984,997	\$ -0-	\$ 877,768	\$ 8,107,229

A. Mortgage Loans Payable

The \$7,391,000 loan requires monthly payments of principal and interest through maturity in July 2040 at which time all unpaid principal and interest is due. Interest accrues at a variable rate based on the one month LIBOR rate (2.09025% at June 29, 2018). At June 30, 2018, the interest rate was 2.588599%. The School also entered into an interest rate swap agreement with the Bank for the first twenty years to reduce the impact of changes in the interest rate on this variable rate loan. The swap has a fixed rate of 3.12%. The fair market value of the interest rate swap at June 30, 2018 is \$3,799 which is reflected as an asset on the Statement of Net Position.

The \$365,000 loan requires monthly payments of principal and interest through maturity in July 2035 at which time all unpaid principal and interest is due. Interest accrues at a variable rate based upon the LIBOR rate plus 2%. The interest rate at June 30, 2018 was 3.98246%.

The Charter School had loans payable as of June 30, 2018 as follows:

Purpose	Final Maturity	Interest Rate	Amount
Mortgage Loan	7/1/2040	3.12%	\$ 6,826,944
Mortgage Loan	7/1/2036	3.98246%	321,200
			\$ 7,148,144

Principal and interest due on the mortgage loans outstanding are as follows:

Fiscal Year Due	Principal	Interest*	Total
2019	\$ 222,170	\$ 224,674	\$ 446,844
2020	229,021	219,680	448,701
2021	237,391	212,787	450,178
2022	245,427	203,036	448,463
2023	253,752	194,936	448,688
2024-2028	1,403,479	846,780	2,250,259
2029-2033	1,662,104	601,273	2,263,377
2034-2038	2,894,800	162,683	3,057,483
	\$ 7,148,144	\$ 2,665,849	\$ 9,813,993

\* - Interest on the \$321,200 of mortgage loan payable is variable and is based on the rate at June 30, 2018. Thus, the actual interest paid may be different than the amount presented above.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

A. Mortgage Loans Payable (Cont'd)

In conjunction with the issuance of these loans, the School also entered into a line of credit agreement with the Peapack-Gladstone Bank. The line of credit agreement has a maximum borrowing capacity of \$500,000 which will expire on March 31, 2019. Interest accrues at the Prime rate (5.00 percent at June 30, 2018). The outstanding principal, accrued interest would be due at maturity. As of June 30, 2018, the District had not borrowed any funds under the line of credit.

The loans and line of credit are collateralized by all property of the School and an assignment of leases and rents.

The loan agreement with the Bank contains a debt service coverage ratio test related to the \$7,391,000 mortgage loan as follows:

	2018	2017	2016	Average	Use	From
Change in Net Position	\$ (225,832)	\$ (459,261)	\$ (234,297)			A-2
Add back:						
Interest Expense	230,910	234,937	220,722			B-2
Depreciation	519,155	522,719	548,780			B-3
EBIDA	\$ 524,233	\$ 298,395	\$ 535,205	\$ 452,611	\$ 452,000	
Current Portion of Long-Term Debt					222,170	A-1
Interest Expense (Current Reporting Period)					230,910	B-2
					453,080	
				Ratio	1.00	
				Benchmark	1.05	
				Result	Fail	

For the fiscal year ending June 30, 2018, the Charter School was not in compliance with the debt service coverage ratio and received a waiver of the non-compliance from the Bank.

B. Loss on Refunding

The refunding of the School's outstanding mortgage debt resulted in a loss on refunding of \$616,200 in 2015. In accordance with GASB, the loss is classified as a deferred outflow of resources. The deferred outflow of resources is amortized as a component of interest expense over the shorter of the life of the old or new debt. This deferred outflow of resources will be recognized in interest expense as follows for the fiscal years ending June 30:

2019	\$ 39,970
2020	39,970
2021	39,970
2022	39,970
2023	39,970
2024-2028	199,850
2029-2031	96,590
	\$ 496,290

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

C. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$959,085. See Note 6 for further information on the PERS.

NOTE 6. PENSION PLANS

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

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.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.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:

<u>Tier</u>	<u>Definition</u>
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 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



PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. 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 and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$39,028 for the fiscal year ended June 30, 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the District's liability was \$959,085 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was .0041%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized actual pension expense in the amount of \$109,959.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 10,880	
	2015	5.72	45,829	
	2016	5.57	136,514	
	2017	5.48		\$ 192,514
			<u>193,223</u>	<u>192,514</u>
Changes in Proportion	2014	6.44	6,540	
	2015	5.72	8,998	
	2016	5.57	189,088	
	2017	5.48		81,415
			<u>204,626</u>	<u>81,415</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(11,493)	
	2015	5.00	9,804	
	2016	5.00	41,106	
	2017	5.00	(32,887)	
			<u>6,530</u>	
Difference Between Expected and Actual Experience	2015	5.72	12,715	
	2016	5.57	4,143	
	2017	5.48	5,725	
			<u>22,583</u>	
District Contribution Subsequent to the Measurement Date	2017	1.00	57,294	
			<u>\$ 484,256</u>	<u>\$ 273,929</u>

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

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

Fiscal Year Ending June 30,	Total
2018	\$ 22,579
2019	34,070
2020	20,645
2021	(27,458)
2022	(20,014)
	\$ 29,822

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:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (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 future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one 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 likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan 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 Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	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 Market 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. This single blended discount rate was based on the long-term expected rate of return on pension plan investments 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 upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate (Cont'd)

available to make projected future benefit payments of current plan members 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.

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

The following presents the District'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 District'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:

	June 30, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 1,189,810	\$ 959,085	\$ 766,863

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. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' 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 to 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.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

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

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
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 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 age 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 reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd)

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 District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$365,495 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,199,132.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$17,309,746. The net pension liability was measured as of June 30, 2017, 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0257%, which was an increase of 0.001% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>17,309,746</u>
Total	<u><u>\$ 17,309,746</u></u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$1,199,132 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the sources on the following page.

PRINCETON CHARTER SCHOOL  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

NOTE 6. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3	<u>13,378,255,364</u>	<u>\$ 11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	<u>(904,033,050)</u>	
			<u>341,507,504</u>	
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

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



PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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 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, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) 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 rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the table on the following page.

PRINCETON CHARTER SCHOOL  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

NOTE 6. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	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 Market 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. This single blended discount rate was based on the long-term expected rate of return on pension plan investments 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension 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.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

The following presents the State's proportionate share of the net pension liability associated with the District 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:

	June 30, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 20,564,522	\$ 17,309,746	\$ 14,628,448

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.

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 DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

District contributions to DCRP were \$6,428 and employee contributions were \$11,785 for the fiscal year ended June 30, 2018.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. CONTINGENT LIABILITIES

Grant Programs

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The Charter School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the Charter School.

Encumbrances

At June 30, 2018, the Charter School had no encumbrances.

NOTE 8. DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) and 415. The plan, which is administered by the School and TIAA CREF, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 9. ECONOMIC DEPENDENCY

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

NOTE 10. 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. The Charter School provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

Property and Liability Insurance

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group ("NJSIG"). This public entity risk management pool provided workers' compensation and employer's liability for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities. The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

Selected financial information for NJSIG as of June 30, 2018 is as follows:

Total Assets	\$ 348,953,830
Net Assets	\$ 82,580,855
Total Revenue	\$ 133,258,299
Total Expenses	\$ 129,340,074
Change in Net Assets	\$ 3,918,225
Net Position Distribution to Participating Members	\$ -0-

Financial statements for the NJSIG are available at the Group's Executive Director's Office:

600 Midlantic Drive  
Mount Laurel, NJ 08054  
Phone: 609-386-6060  
Fax: 609-386-8877

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 6,586	\$ 9,950	\$ 7,023
2016-2017	10,387	4,891	10,387
2015-2016	4,891	86	4,891

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2018.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 19,705	
Food Service Fund		\$ 14,138
Student Programs	500	1,027
Payroll Agency		4,540
Student Activities		500
	<u>\$ 20,205</u>	<u>\$ 20,205</u>

The interfund payable in the Food Service Fund is for the amount of the cash deficit advanced from the General Fund while awaiting subsidy reimbursements. The interfund payable in the Student Programs Fund is for amounts owed to General Fund for a cash advance. The remaining interfund payables are due to minor amounts owed from other funds.

NOTE 12. OPERATING LEASES PAYABLE

The Charter School leases photocopiers for the school building and the business office under leases expiring at various points through May 2019. Future lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2019	<u>\$ 19,067</u>

NOTE 13. ACCOUNTS PAYABLE

At year end June 30, 2018, the Charter School has the following accounts payable in the governmental funds:

	<u>Governmental Funds</u>		<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>		
Vendors	\$ 10,228	\$ 4,970		\$ 15,198
State of New Jersey			\$ 57,294	57,294
	<u>\$ 10,228</u>	<u>\$ 4,970</u>	<u>\$ 57,294</u>	<u>\$ 72,492</u>

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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 years or more 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, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

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.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	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 MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health 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.

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 initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term 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.



PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability Attributable to the District	\$ 5,270,510	\$ 4,439,924

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate  
(Cont'd)

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 5,636,792	\$ 4,705,085	\$ 3,971,712

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

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

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 3,651,408	\$ 4,439,924	\$ 5,487,064

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 3,860,653	\$ 4,705,085	\$ 5,834,010

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$446,354 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.

PRINCETON CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB  
(Cont'd)

In accordance with GASB Statement 75, as the District'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
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

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

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

REQUIRED SUPPLEMENTARY SCHEDULES

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0029932595%	0.0030915455%	0.0045768408%
District's proportionate share of the net pension liability	\$ 560,420	\$ 693,990	\$ 1,355,529
District's covered employee payroll	\$ 207,000	\$ 213,250	\$ 194,994
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	270.73%	325.43%	695.16%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			2018
			0.0041200647%
		\$ 959,085	\$ 345,651
		277.47%	48.10%

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

PRINCETON CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
	\$ 24,676	\$ 26,579	\$ 40,660
Contractually required contribution	(24,676)	(26,579)	(39,028)
Contributions in relation to the contractually required contribution	\$ -0-	\$ -0-	\$ -0-
Contribution deficiency/(excess)	\$ 207,000	\$ 213,250	\$ 194,994
District's covered employee payroll	11.92%	12.46%	20.85%
Contributions as a percentage of covered employee payroll			11.29%

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

PRINCETON CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0248024512%	0.0260592790%	0.0246761498%
State's proportionate share of the net pension liability attributable to the District	\$ 13,256,103	\$ 16,470,577	\$ 19,411,831
District's covered employee payroll	\$ 2,563,929	\$ 2,474,124	\$ 2,262,360
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	517.02%	665.71%	858.03%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			2018
			0.0256731247%
			\$ 17,309,746
			\$ 2,549,587
			678.92%
			25.41%

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

PRINCETON CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 713,303	\$ 1,005,677	\$ 1,458,529	\$ 1,199,132
Contributions in relation to the contractually required contribution	<u>(364,543)</u>	<u>(432,815)</u>	<u>(530,485)</u>	<u>(365,495)</u>
Contribution deficiency/(excess)	<u>\$ 348,760</u>	<u>\$ 572,862</u>	<u>\$ 928,044</u>	<u>\$ 833,637</u>
District's covered employee payroll	\$ 2,563,929	\$ 2,474,124	\$ 2,262,360	\$ 2,549,587
Contributions as a percentage of covered employee payroll	14.22%	17.49%	23.45%	14.34%

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



PRINCETON CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

\* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

PRINCETON CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

Revenues:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 5,566,873	\$ (137,799)	\$ 5,429,074	\$ 5,245,919	\$ (183,155)
Miscellaneous Revenue	81,250	61,476	142,726	170,672	27,946
<b>Total - Local Sources</b>	<b>5,648,123</b>	<b>(76,323)</b>	<b>5,571,800</b>	<b>5,416,591</b>	<b>(155,209)</b>
State Sources:					
Adjustment Aid	279,390	53,376	332,766	332,766	
Special Education Aid - Charter School Aid	97,497	(97,497)		67,824	67,824
Security Aid	29,234	(27,794)	1,440	30,069	28,629
Local Levy - Charter School Aid - State Share	193,277	67,093	260,370	443,525	183,155
On-Behalf TPAF Pension Contributions (Non-Budgeted)				365,495	365,495
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				241,794	241,794
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				834	834
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				8,870	8,870
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				213,307	213,307
<b>Total State Sources</b>	<b>599,398</b>	<b>(4,822)</b>	<b>594,576</b>	<b>1,704,484</b>	<b>887,731</b>
<b>Total Revenues</b>	<b>6,247,521</b>	<b>(81,145)</b>	<b>6,166,376</b>	<b>7,121,075</b>	<b>954,699</b>

PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Regular Programs - Instruction:					
Grades 1-5 - Salaries of Teachers	\$ 2,762,857	\$ 176,239	\$ 2,939,096	\$ 2,939,096	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	124,285	(27,736)	96,549	96,549	
Purchased Professional/Technical Services	24,500	9,137	33,637	33,637	
Other Purchased Services	21,800	(348)	21,452	21,452	
General Supplies	75,000	33,953	108,953	108,953	
Textbooks	15,250	6,178	21,428	21,428	
Other Objects	58,032	(42,323)	15,709	15,709	
Total Regular Programs - Instruction	<u>3,081,724</u>	<u>155,100</u>	<u>3,236,824</u>	<u>3,236,824</u>	
School-Sponsored Athletics - Instruction:					
Other Purchased Services	5,000	(852)	4,148	4,148	
Total School-Sponsored Athletics - Instruction	<u>5,000</u>	<u>(852)</u>	<u>4,148</u>	<u>4,148</u>	
Total Instruction	<u>3,086,724</u>	<u>154,248</u>	<u>3,240,972</u>	<u>3,240,972</u>	
Undistributed Expenditures:					
Attendance and Social Work:					
Other Purchased Services	2,500	1,160	3,660	3,660	
Total Attendance and Social Work	<u>2,500</u>	<u>1,160</u>	<u>3,660</u>	<u>3,660</u>	

PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Health Services:					
Purchased Professional/Technical Services	\$ 3,500	\$ 1,447	\$ 1,447	\$ 1,447	
Supplies and Materials		3,463	6,963	6,963	
Total Health Services	3,500	4,910	8,410	8,410	
Speech, OT, PT, and Related Services:					
Purchased Professional Educational Services	10,000	17,855	27,855	27,855	
Total Speech, OT, PT, and Related Services	10,000	17,855	27,855	27,855	
Instructional Staff Training Services:					
Other Purchased Services	15,000	(7,831)	7,169	7,169	
Total Improvement of Instruction Services	15,000	(7,831)	7,169	7,169	
General Administration:					
Salaries	553,088	4,311	557,399	557,399	
Other Purchased Professional Services	22,000	14,000	36,000	36,000	
Communications/Telephone	19,760	3,364	23,124	23,124	
BOE Other Purchased Services	48,379	5,543	53,922	53,922	
Supplies and Materials	4,500	6,519	11,019	11,019	
BOE Membership Dues and Fees	39,125	33,439	72,564	72,564	
Total General Administration	686,852	67,176	754,028	754,028	

PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
School Administration:					
Other Salaries	\$ 228,898	\$ (25,375)	\$ 203,523	\$ 203,523	
Other Purchased Services	4,000	(1,617)	2,383	2,383	
Total School Administration	232,898	(26,992)	205,906	205,906	
Central Services:					
Purchased Professional Services	140,000	79,939	219,939	219,939	
Total Central Services	140,000	79,939	219,939	219,939	
Administrative Information Technology:					
Salaries	98,200	(53,192)	45,008	45,008	
Purchased Professional and Technical Services	35,000	20,639	55,639	55,639	
Supplies and Materials	7,000	1,675	8,675	8,675	
Total Administrative Information Technology	140,200	(30,878)	109,322	109,322	
Custodial Services:					
Salaries	121,463	5,537	127,000	127,000	
Purchased Professional and Technical Services	90,000	(637)	89,363	89,363	
Other Purchased Property Services	169,750	(19,656)	150,094	150,094	
Insurance	17,846		17,846	17,846	
General Supplies	41,000	4,745	45,745	45,745	
Energy (Electric)	92,000	(9,799)	82,201	82,201	
Energy (Oil)	3,500	1,356	4,856	4,856	
Total Custodial Services	535,559	(18,454)	517,105	517,105	

PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Purchased Professional and Technical Services	\$ 25,000	\$ 21,489	\$ 46,489	\$ 46,489	
Total Care and Upkeep of Grounds	25,000	21,489	46,489	46,489	
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	12,000	(3,385)	8,615	8,615	
Total Student Transportation Services	12,000	(3,385)	8,615	8,615	
Unallocated Employee Benefits:					
Social Security Contributions	60,000	16,616	76,616	76,616	
Other Retirement Contributions - PERS	43,000	(3,972)	39,028	39,028	
Other Retirement Contributions - Regular	6,500	5,763	12,263	12,263	
Unemployment Compensation	20,000	(13,907)	6,093	6,093	
Workmen's Compensation	30,000	8,616	38,616	38,616	
Health Benefits	478,605	(92,351)	386,254	386,254	
Total Unallocated Benefits	638,105	(79,235)	558,870	558,870	
On-Behalf Contributions: (Non-Budgeted)					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				365,495	\$ (365,495)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				241,794	(241,794)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				834	(834)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				8,870	(8,870)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				213,307	(213,307)
Total On-Behalf Contributions				830,300	(830,300)



PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Equipment:					
Non Instructional Equipment	\$ 5,000	\$ (5,000)			
Total Equipment	5,000	(5,000)			
Facilities Acquisition and Construction Services:					
Other Purchased Professional/Technical Services		7,951	\$ 7,951	\$ 7,951	
Construction Services	50,000	(39,320)	10,680	10,680	
Land and Improvements		24,738	24,738	24,738	
Interest on Mortgage	247,216	(16,306)	230,910	230,910	
Principal on Mortgage	207,930	7,014	214,944	214,944	
Total Facilities Acquisition and Construction Services	505,146	(15,923)	489,223	489,223	
Total Capital Outlay	510,146	(20,923)	489,223	489,223	
Total Expenditures	6,038,484	159,079	6,197,563	7,027,863	\$ (830,300)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	209,037	(240,224)	(31,187)	93,212	124,399
Other Financing Uses:					
Transfer Out - Food Service Fund		(9,156)	(9,156)	(9,156)	
Total Other Financing Uses		(9,156)	(9,156)	(9,156)	

PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess/(Deficit) of Revenues Over/(Under) Expenditures and Other Financing Uses	\$ 209,037	\$ (249,380)	\$ (40,343)	\$ 84,056	\$ 124,399
Fund Balance, July 1	565,761		565,761	565,761	
Fund Balance, June 30	\$ 774,798	\$ (249,380)	\$ 525,418	\$ 649,817	\$ 124,399
Unassigned				\$ 649,817	
Fund Balance per Governmental Funds GAAP/Budgetary Basis				\$ 649,817	

PRINCETON CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Federal Sources	\$ 76,013	\$ 104,291	\$ 180,304	\$ 180,304	
Total Revenue	76,013	104,291	180,304	180,304	
Expenditures:					
Instruction:					
Salaries of Teachers	17,750		17,750	17,750	
Other Purchased Services		5,898	5,898	5,898	
Purchased Professional and Educational Services	53,456	(53,456)			
General Supplies	192	1,499	1,691	1,691	
Total Instruction	71,398	(46,059)	25,339	25,339	
Support Services:					
Employee Benefits	4,615	355	4,970	4,970	
Purchased Professional/Technical Services		54,558	54,558	54,558	
Other Purchased Services		25,528	25,528	25,528	
Supplies and Materials		59,909	59,909	59,909	
Other Objects		10,000	10,000	10,000	
Total Support Services	4,615	150,350	154,965	154,965	
Total Expenditures	76,013	104,291	180,304	180,304	
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

PRINCETON CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 7,121,075	\$ 180,304
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 7,121,075	\$ 180,304
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 7,027,863	\$ 180,304
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 7,027,863	\$ 180,304

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Trustees. Budgets are prepared using the modified accrual basis of accounting. The legal level budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest of (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary 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).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

PRINCETON CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act	IDEA Basic	IDEA Preschool	Charter Implementation Grant	Totals June 30, 2018
	Title I	Title II Part A			
<b>REVENUE:</b>					
Federal Sources	\$ 24,411	\$ 5,898	\$ 1,051	\$ 97,937	\$ 180,304
Total Revenue	24,411	5,898	1,051	97,937	180,304
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	17,750				17,750
Other Purchased Services		5,898			5,898
General Supplies	1,691				1,691
Total Instruction	19,441	5,898			25,339
Support Services:					
Employee Benefits	4,970				4,970
Purchased Professional and Technical Services		51,007	1,051	2,500	54,558
Other Purchased Services				25,528	25,528
Supplies and Materials				59,909	59,909
Other Objects				10,000	10,000
Total Support Services	4,970	51,007	1,051	97,937	154,965
Total Expenditures	\$ 24,411	\$ 5,898	\$ 1,051	\$ 97,937	\$ 180,304

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)



PROPRIETARY FUNDS

PRINCETON CHARTER SCHOOL  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Food Service Program	Student Programs	Total
<u>ASSETS:</u>			
Current Assets:			
Accounts Receivable:			
State	\$ 257		\$ 257
Federal	3,064		3,064
Other	8,427	\$ 21,400	29,827
Interfund Receivable		500	500
Total Current Assets	11,748	21,900	33,648
Non-Current Assets:			
Capital Assets	18,820		18,820
Less: Accumulated Depreciation	(7,273)		(7,273)
Total Non-Current Assets	11,547		11,547
Total Assets	23,295	21,900	45,195
<u>LIABILITIES:</u>			
Current Liabilities:			
Interfund Payable	14,138	1,027	15,165
Unearned Revenue - Prepaid Sales	9,157		9,157
Total Current Liabilities	23,295	1,027	24,322
<u>NET POSITION:</u>			
Investment in Capital Assets	11,547		11,547
Unrestricted/(Deficit)	(11,547)	20,873	9,326
Total Net Position	\$ -0-	\$ 20,873	\$ 20,873

PRINCETON CHARTER SCHOOL  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Food Service Program</u>	<u>Student Programs</u>	<u>Total</u>
Operating Revenue			
Local Sources:			
Daily Sales - Reimbursable programs	\$ 105,384		\$ 105,384
Charges and Program Fees		\$ 156,032	156,032
Donations		25,000	25,000
Total Operating Revenue	<u>105,384</u>	<u>181,032</u>	<u>286,416</u>
Operating Expenses:			
Cost of Sales - Reimbursable programs	102,245		102,245
Salaries, Benefits & Payroll Taxes	21,900	112,327	134,227
Supplies and Materials		7,770	7,770
Rent		40,000	40,000
Purchased Professional Services		18,843	18,843
Depreciation	1,225		1,225
Miscellaneous	2,198	4,281	6,479
Total Operating Expenses	<u>127,568</u>	<u>183,221</u>	<u>310,789</u>
Operating Loss	<u>(22,184)</u>	<u>(2,189)</u>	<u>(24,373)</u>
Non-Operating Revenue:			
State Sources:			
State School Lunch Program	1,071		1,071
Federal Sources:			
National Lunch Program	12,815		12,815
Total Non-Operating Revenue	<u>13,886</u>		<u>13,886</u>
Change in Net Position	(8,298)	(2,189)	(10,487)
Transfer In - General Fund	<u>9,156</u>		<u>9,156</u>
Change in Net Position After Transfer	858	(2,189)	(1,331)
Net Position/(Deficit) - Beginning of Year	<u>(858)</u>	<u>23,062</u>	<u>22,204</u>
Net Position - End of Year	<u>\$ -0-</u>	<u>\$ 20,873</u>	<u>\$ 20,873</u>

PRINCETON CHARTER SCHOOL  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Food Service Program	Student Programs	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 106,147		\$ 106,147
Receipts from Program Revenues		\$ 152,888	152,888
Receipts from Donations		25,000	25,000
Payments to Food Service Vendor	(102,114)		(102,114)
Payments to Suppliers	(2,198)	(7,770)	(9,968)
Payments of Salaries, Benefits & Payroll Taxes	(22,031)	(112,326)	(134,357)
Payments for Rent		(40,000)	(40,000)
Payments for Miscellaneous Expenses		(4,781)	(4,781)
Payments for Purchased Professional Services		(18,843)	(18,843)
Net Cash Provided By/(Used for) Operating Activities	(20,196)	(5,832)	(26,028)
Cash Flows from Noncapital Financing Activities:			
Cash Received from State and Federal Reimbursements	14,757		14,757
Cash Received from Transfers	5,439	1,027	6,466
Net Cash Provided by Noncapital Financing Activities	20,196	1,027	21,223
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,805)	(4,805)
Cash and Cash Equivalents, July 1	-0-	4,805	4,805
Cash and Cash Equivalents, June 30	\$ -0-	\$ -0-	\$ -0-
Reconciliation of Operating Income/(Loss) to			
Net Cash Provided By/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (22,184)	\$ (2,189)	\$ (24,373)
Adjustment to Reconcile Operating Income/(Loss)			
to Cash Provided By/(Used for) Operating Activities:			
Depreciation	1,225		1,225
Changes in assets and liabilities:			
(Increase)/Decrease in Other Accounts Receivable	1,205	(3,143)	(1,938)
(Increase)/Decrease in Interfund Receivable		(500)	(500)
Increase/(Decrease) in Accounts Payable	(442)		(442)
Net Cash Provided By/(Used for) Operating Activities	\$ (20,196)	\$ (5,832)	\$ (26,028)

FIDUCIARY FUNDS

PRINCETON CHARTER SCHOOL  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Agency Funds		Total Agency	Unemployment Compensation Trust	Totals
	Payroll Agency	Student Activities			
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 7,447	\$ 2,574	\$ 10,021	\$ 7,023	\$ 17,044
Payroll Tax Receivable - State	528		528		528
Total Assets	7,975	2,574	10,549	7,023	17,572
<u>LIABILITIES:</u>					
Due to Student Groups		2,574	2,574		2,574
Interfund Payable:					
General Fund	4,540		4,540		4,540
Payroll Deductions and Withholdings	3,435		3,435		3,435
Total Liabilities	7,975	2,574	10,549		10,549
<u>NET POSITION:</u>					
Held in Trust for:					
Unemployment Claims				7,023	7,023
Total Net Assets	\$ -0-	\$ -0-	\$ -0-	\$ 7,023	\$ 7,023

PRINCETON CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Unemployment  
 Compensation  
 Trust

---

ADDITIONS:

Contributions:

Plan Members

\$ 6,586

---

Total Contributions

6,586

---

Total Additions

6,586

---

DEDUCTIONS:

Unemployment Compensation Claims

9,950

---

Total Deductions

9,950

---

Change in Net Position

(3,364)

Net Position - Beginning of the Year

10,387

---

Net Position - End of the Year

\$ 7,023

---



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PRINCETON CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	<u>                    </u>	<u>\$ 16,543</u>	<u>\$ 13,969</u>	<u>\$ 2,574</u>
Total Assets	<u>\$ -0-</u>	<u>\$ 16,543</u>	<u>\$ 13,969</u>	<u>\$ 2,574</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	<u>                    </u>	<u>\$ 16,543</u>	<u>\$ 13,969</u>	<u>\$ 2,574</u>
Total Liabilities	<u>\$ -0-</u>	<u>\$ 16,543</u>	<u>\$ 13,969</u>	<u>\$ 2,574</u>



PRINCETON CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Princeton Charter School: Student Account	\$ -0-	\$ 16,543	\$ 13,969	\$ 2,574
Total	<u>\$ -0-</u>	<u>\$ 16,543</u>	<u>\$ 13,969</u>	<u>\$ 2,574</u>

PRINCETON CHARTER SCHOOL  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 2,805	\$ 4,436,230	\$ 4,431,588	\$ 7,447
Payroll Tax Receivable				
Federal	4,016		4,016	
State	528			528
Total Assets	<u>\$ 7,349</u>	<u>\$ 4,436,230</u>	<u>\$ 4,435,604</u>	<u>\$ 7,975</u>
 <u>LIABILITIES:</u>				
Interfund Payable:				
General Fund	\$ 4,540			\$ 4,540
Payroll Deductions and Withholdings	2,809	\$ 4,436,230	\$ 4,435,604	3,435
Total Liabilities	<u>\$ 7,349</u>	<u>\$ 4,436,230</u>	<u>\$ 4,435,604</u>	<u>\$ 7,975</u>

LONG-TERM DEBT

PRINCETON CHARTER SCHOOL  
LONG-TERM DEBT  
SCHEDULE OF MORTGAGE LOANS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Matured	Balance June 30, 2018
			Outstanding		Interest Rate	Balance June 30, 2017		
			Date	Amount				
Mortgage Loan	06/27/2015	\$ 7,391,000	2018/19	\$ 207,570	3.12%	\$ 7,027,288	\$ 200,344	\$ 6,826,944
			2019/20	214,421	3.12%			
			2020/21	222,791	3.12%			
			2021/22	230,827	3.12%			
			2022/23	239,152	3.12%			
			2023/24	247,234	3.12%			
			2024/25	256,696	3.12%			
			2025/26	265,955	3.12%			
			2026/27	275,547	3.12%			
			2027/28	285,047	3.12%			
			2028/29	295,767	3.12%			
			2029/30	306,435	3.12%			
			2030/31	317,488	3.12%			
			2031/32	328,621	3.12%			
			2032/33	340,793	3.12%			
			2033/34	353,085	3.12%			
			2034/35	2,439,515	3.12%			

PRINCETON CHARTER SCHOOL  
LONG-TERM DEBT  
SCHEDULE OF MORTGAGE LOANS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance 6/30/2017	Matured	Balance June 30, 2018
			Date	Outstanding June 30, 2018 Amount				
Mortgage Loan	6/27/2015	\$ 365,000.00	2018/19	\$ 14,600	3.982460%	\$ 335,800	\$ 14,600	\$ 321,200
			2019/20	14,600	3.982460%			
			2020/21	14,600	3.982460%			
			2021/22	14,600	3.982460%			
			2022/23	14,600	3.982460%			
			2023/24	14,600	3.982460%			
			2024/25	14,600	3.982460%			
			2025/26	14,600	3.982460%			
			2026/27	14,600	3.982460%			
			2027/28	14,600	3.982460%			
			2028/29	14,600	3.982460%			
			2029/30	14,600	3.982460%			
			2030/31	14,600	3.982460%			
			2031/32	14,600	3.982460%			
			2032/33	14,600	3.982460%			
			2033/34	14,600	3.982460%			
		2034/35	14,600	3.982460%				
		2035/36	73,000	3.982460%				
						<u>\$ 7,363,088</u>	<u>\$ 214,944</u>	<u>\$ 7,148,144</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**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. J-1 thru J-5

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the Charter School's ability to generate its property taxes. J-6 thru J-9

**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 School's ability to issue additional debt in the future. J-10 thru J-13

**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 and to help make comparisons over time and with other governments. J-14 thru J-15

**Operating Information**

These schedules contain information about the Charter School's operations and resources to help the reader understand how the Charter School's financial information relates to the services the Charter School provides and the activities it performs. J-16 thru J-21

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

PRINCETON CHARTER SCHOOL  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(UNAUDITED)  
(Accrual Basis of Accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 2,225,967	\$ 5,242,157	\$ 5,121,531	\$ 5,004,850	\$ 4,957,173	\$ 4,819,417	\$ 3,925,810	\$ 3,582,973	\$ 3,269,440	\$ 3,008,598
Restricted	2,749,947	134,626								
Unrestricted	77,418	131,891	151,389	441,515	471,291	487,216	342,234	450,774	305,046	340,056
<b>Total Governmental Activities Net Position</b>	<b>\$ 5,053,332</b>	<b>\$ 5,508,674</b>	<b>\$ 5,272,920</b>	<b>\$ 5,446,365</b>	<b>\$ 5,428,464</b>	<b>\$ 5,306,633</b>	<b>\$ 4,268,044</b>	<b>\$ 4,033,747</b>	<b>\$ 3,574,486</b>	<b>\$ 3,348,654</b>
<b>Business-Type Activities:</b>										
Investment in Capital Assets	\$ 457	\$ 133			\$ 17,795	\$ 16,540	\$ 15,285	\$ 14,027	\$ 12,772	\$ 11,547
Unrestricted	24,767	11,286	4,747	6,492	7,747	6,823	1,761	5,507	9,432	9,326
<b>Total Business-Type Activities Net Position</b>	<b>\$ 25,224</b>	<b>\$ 11,419</b>	<b>\$ 4,747</b>	<b>\$ 6,492</b>	<b>\$ 25,542</b>	<b>\$ 23,363</b>	<b>\$ 17,046</b>	<b>\$ 19,534</b>	<b>\$ 22,204</b>	<b>\$ 20,873</b>
<b>Charter School-Wide</b>										
Net Investment in Capital Assets	\$ 2,226,424	\$ 5,242,290	\$ 5,121,531	\$ 5,004,850	\$ 4,974,968	\$ 4,835,957	\$ 3,941,095	\$ 3,597,000	\$ 3,282,212	\$ 3,020,145
Restricted	2,749,947	134,626								
Unrestricted	102,185	143,177	156,136	448,007	479,038	494,039	343,995	456,281	314,478	349,382
<b>Total Charter School-Wide Net Position</b>	<b>\$ 5,078,556</b>	<b>\$ 5,520,093</b>	<b>\$ 5,277,667</b>	<b>\$ 5,452,857</b>	<b>\$ 5,454,006</b>	<b>\$ 5,329,996</b>	<b>\$ 4,285,090</b>	<b>\$ 4,053,281</b>	<b>\$ 3,596,690</b>	<b>\$ 3,369,527</b>

Source: Princeton Charter School Financial Reports.

PRINCETON CHARTER SCHOOL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(UNAUDITED)  
(Accrual Basis of Accounting)

	For Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Regular		\$ 2,971,546	\$ 2,685,878	\$ 2,949,759	\$ 3,137,509	\$ 3,189,500	\$ 3,618,617	\$ 3,953,523	\$ 4,445,743	\$ 5,573,943
Special Education										51,007
Other Instruction	30,668	59,775	59,986	59,722						4,234
Support Services:										
Student & Instruction Related Services	72,543	88,880	100,400	81,823	233,646	326,853	560,201	329,174	466,995	163,637
General Administration Services	690,588	647,099	1,047,591	1,023,426	1,083,136	1,110,063	1,228,372	1,306,584	1,353,676	833,825
School Administration Services										255,204
Central Services										219,939
Administrative Information Technology										115,740
Plant Operations And Maintenance	624,803	611,299	483,691	617,157	580,042	634,119	695,803	674,854	680,032	582,444
Pupil Transportation	20,879	25,654	13,594	12,518	10,157	14,222	12,446	11,958	13,171	8,615
Interest on Long-Term Debt	468,286	60,394	352,690	339,570	327,663	313,140	313,193	260,692	274,907	270,880
Sinking Fund	238,140	394,915								
Unallocated Depreciation	240,594	297,646	474,303	486,583	490,996	496,918	496,953	497,495	480,057	476,784
Total Governmental Activities Expenses	5,050,233	5,157,208	5,218,133	5,570,558	5,863,149	6,084,815	6,925,585	7,034,280	7,714,581	8,556,252
Business-Type Activities:										
Food Service Program	101,230	114,095	127,178	120,753	59,438	96,982	94,412	93,933	107,960	127,568
Chess Program				12,250	17,950	11,850	13,686	15,900	16,276	
Student Programs	49,178	50,608	46,316	34,146	33,227	43,715	52,842	47,360	94,650	183,221
After school clubs					7,100	12,490	18,544	25,918	29,576	
Summer Camps				13,151	19,367					
Total Business-Type Activities Expenses	150,408	164,703	173,494	180,300	137,082	165,037	179,484	183,111	248,462	310,789
Total Charter School-Wide Expenses	5,200,641	5,321,911	5,391,627	5,750,858	6,000,231	6,249,852	7,105,069	7,217,391	7,963,043	8,867,041
Program Revenues:										
Governmental Activities:										
Operating Grants and Contributions	249,844	378,230	486,230	465,918	608,485	554,157	1,132,893	1,359,703	1,777,953	2,146,694
Capital Grants and Contributions	769,832	690,029								
Total Governmental Activities Program Revenues	1,019,676	1,068,259	486,230	465,918	608,485	554,157	1,132,893	1,359,703	1,777,953	2,146,694
Business-Type Activities:										
Charges for Services	122,642	140,002	157,796	173,393	121,263	153,239	154,092	178,241	212,245	261,416
Operating Grants and Contributions	10,398	10,896	9,026	8,653	4,870	9,619	8,375	7,358	28,887	38,886
Total Business-Type Activities Program Revenues	133,040	150,898	166,822	182,046	126,133	162,858	162,467	185,599	241,132	300,302
Total Charter School-Wide Program Revenues	1,152,716	1,219,157	653,052	647,964	734,618	717,015	1,295,360	1,545,302	2,019,085	2,446,996
Net (Expenses)/Revenue										
Governmental Activities	(4,030,557)	(4,088,949)	(4,731,903)	(5,104,640)	(5,254,664)	(5,530,658)	(5,792,692)	(5,674,577)	(5,936,628)	(6,409,558)
Business-Type Activities	(17,368)	(13,805)	(6,672)	1,746	(10,949)	(2,179)	(17,017)	2,488	(7,330)	(10,487)
Total Charter School-Wide Net (Expenses)/Revenue	(4,047,925)	(4,102,754)	(4,738,575)	(5,102,894)	(5,265,613)	(5,532,837)	(5,809,709)	(5,672,089)	(5,943,958)	(6,420,045)



PRINCETON CHARTER SCHOOL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(UNAUDITED)  
(Accrual Basis of Accounting)

	For Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Local Property Taxes - Charter School Aid	\$ 4,427,325	\$ 4,369,487	\$ 4,244,470	\$ 4,446,092	\$ 4,571,071	\$ 4,675,523	\$ 4,819,869	\$ 4,792,581	\$ 4,693,659	\$ 5,245,919
Unrestricted Federal and State Aid	434,848	149,697	230,994	803,033	666,216	563,152	457,516	499,827	599,918	776,291
Grants and contributions not restricted to specific programs						125,000	50,000	50,000	152,000	
Investment Earnings	17,037	10,393	1,470							
Miscellaneous Income	50,283	14,714	19,216	28,690	29,746	45,152	48,977	97,872	41,790	170,672
Transfers	(8,900)				(30,000)				(10,000)	(9,156)
Total Governmental Activities General Revenues and Other Changes	4,920,593	4,544,291	4,496,150	5,277,815	5,237,033	5,408,827	5,376,362	5,440,280	5,477,367	6,183,726
Business-Type Activities:										
Transfers	8,900				30,000				10,000	9,156
Total Business-Type Activities General Revenues and Other Changes	8,900				30,000				10,000	9,156
Total Charter School-Wide General Revenues & Other Changes in Net Position	4,929,493	4,544,291	4,496,150	5,277,815	5,267,033	5,408,827	5,376,362	5,440,280	5,487,367	6,192,882
Change in Net Position:										
Governmental Activities	890,036	455,342	(235,753)	173,175	(17,631)	(121,831)	(416,330)	(234,297)	(459,261)	(225,832)
Business-Type Activities	(8,558)	(13,805)	(6,672)	1,746	19,051	(2,179)	(17,017)	2,488	2,670	(1,331)
Total Charter School-Wide Change in Net Position	\$ 881,478	\$ 441,537	\$ (242,425)	\$ 174,921	\$ 1,420	\$ (124,010)	\$ (433,347)	\$ (231,809)	\$ (456,591)	\$ (227,163)

General Revenues and Other Changes in Net Position:

Governmental Activities:

Local Property Taxes - Charter School Aid

Unrestricted Federal and State Aid

Grants and contributions not restricted to specific programs

Investment Earnings

Miscellaneous Income

Transfers

Total Governmental Activities General Revenues and Other Changes

Business-Type Activities:

Transfers

Total Business-Type Activities General Revenues and Other Changes

Total Charter School-Wide General Revenues & Other Changes in Net Position

Change in Net Position:

Governmental Activities

Business-Type Activities

Total Charter School-Wide Change in Net Position

Source: Princeton Charter School Financial Reports.

PRINCETON CHARTER SCHOOL  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)  
 (Modified Accrual Basis of Accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 18,000	\$ 118,899								
Unreserved	59,418	12,992								
Assigned			\$ 19,500	\$ 219,500						
Unassigned			131,889	222,015	\$ 471,291	\$ 487,216	\$ 262,970	\$ 434,511	\$ 565,761	\$ 649,817
Total General Fund	\$ 77,418	\$ 131,891	\$ 151,389	\$ 441,515	\$ 471,291	\$ 487,216	\$ 262,970	\$ 434,511	\$ 565,761	\$ 649,817
Other Governmental Funds:										
Capital Projects Fund	\$ 4,522,811	\$ 134,626	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Source: Princeton Charter School Financial Reports.

**PRINCETON CHARTER SCHOOL**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
 (UNAUDITED)  
 (Modified Accrual Basis of Accounting)

	For the Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Equalization Aid	\$ 4,427,325	\$ 4,369,487	\$ 4,244,470	\$ 4,446,092	\$ 4,571,071	\$ 4,675,523	\$ 4,819,869	\$ 4,792,581	\$ 4,693,659	\$ 5,245,919
Interest Earnings	17,037	10,393	1,470							
Sinking Fund	239,124									
Grants and contributions not restricted to specific programs						125,000	50,000	50,000	152,000	
Miscellaneous	589,994	309,828	19,216	33,690	29,746	45,152	179,584	142,149	64,093	170,672
State Sources	748,368	475,375	595,314	1,212,445	1,222,265	1,067,241	1,057,961	1,162,554	1,351,511	1,704,484
Federal Sources	45,885	52,552	121,910	51,506	52,436	50,068	53,081	79,837	76,013	180,304
<b>Total Revenue</b>	<b>6,067,733</b>	<b>5,217,635</b>	<b>4,982,380</b>	<b>5,743,733</b>	<b>5,875,518</b>	<b>5,962,984</b>	<b>6,160,495</b>	<b>6,227,121</b>	<b>6,337,276</b>	<b>7,301,379</b>
<b>Expenditures:</b>										
Instruction:										
Regular Instruction	2,300,142	2,453,948	2,176,734	2,354,910	2,389,177	2,508,190	2,598,349	2,592,214	2,678,456	3,262,163
Special Education Instruction										51,007
Other Instruction										4,148
Support Services and Undistributed Costs:										
Student & Instruction Related Services	30,997	45,718	56,397	51,506	182,090	194,568	364,256	244,639	308,755	151,052
General Administration Services	625,141	550,987	872,090	830,304	873,232	902,924	930,903	939,473	919,171	754,028
School Administration Services										205,906
Central Services										219,939
Administrative Information Technology										109,322
Plant Operations And Maintenance	603,720	575,829	453,840	583,396	535,571	591,654	637,584	608,645	596,453	563,594
Pupil Transportation	15,823	20,598	10,515	12,518	10,157	14,222	12,446	11,958	13,171	8,615
Employee Benefits	572,027	692,631	756,398	862,787	494,891	542,113	599,962	612,710	526,172	1,389,170
Construction		3,335,100	136,096							
Construction in progress	3,148,953									
On Behalf Contributions					515,078	459,934	552,265	619,276	710,942	
Capital Outlay	309,018	438,193	119,071	131,359	188,922	109,173	64,479	22,217		489,223
Debt Service:										
Principal	183,157		163,677	287,258	298,961	311,141	323,818	183,726	207,969	
Interest and Other Charges	476,868	60,394	352,690	339,570	327,663	313,140	300,679	220,722	234,937	
<b>Total Expenditures</b>	<b>8,265,846</b>	<b>8,173,398</b>	<b>5,097,508</b>	<b>5,453,608</b>	<b>5,815,742</b>	<b>5,947,059</b>	<b>6,384,741</b>	<b>6,055,580</b>	<b>6,196,026</b>	<b>7,208,167</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>(2,198,113)</b>	<b>(2,955,763)</b>	<b>(115,128)</b>	<b>290,125</b>	<b>59,776</b>	<b>15,925</b>	<b>(224,246)</b>	<b>171,541</b>	<b>141,250</b>	<b>93,212</b>
<b>Other Financing Sources (Uses):</b>										
Loan proceeds	4,920,000									
Debt issuance costs							720,855			
Loss on refunding							(92,141)			
Mortgage note payments - interest							(616,200)			
Transfers in							(12,514)			
Transfers out									(10,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(88,900)</b>	<b>(29,750)</b>			<b>(30,000)</b>				<b>(10,000)</b>	<b>(9,156)</b>
<b>Net Change In Fund Balances</b>	<b>\$ 2,712,987</b>	<b>\$ (2,955,763)</b>	<b>\$ (115,128)</b>	<b>\$ 290,125</b>	<b>\$ 29,776</b>	<b>\$ 15,925</b>	<b>\$ (224,246)</b>	<b>\$ 171,541</b>	<b>\$ 131,250</b>	<b>\$ 84,056</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>8.30%</b>	<b>0.78%</b>	<b>10.37%</b>	<b>11.78%</b>	<b>11.14%</b>	<b>10.69%</b>	<b>9.88%</b>	<b>6.70%</b>	<b>7.15%</b>	<b>6.22%</b>

\* - Includes \$230,910 of interest on mortgage and \$214,944 of principal on mortgage expenditures which are factored into the debt service as a percentage of noncapital expenditures

Source: Princeton Charter School Financial Reports.

PRINCETON CHARTER SCHOOL  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
(UNAUDITED)  
*(Modified Accrual Basis of Accounting)*

Fiscal Year Ended June 30,	Local Levy Charter School Aid Local Share	Interest on Investments	Miscellaneous	Grants and Contributions	Total
2009	\$ 4,427,325	\$ 17,037	\$ 50,283		\$ 4,494,645
2010	4,369,487	10,393	14,714		4,394,594
2011	4,244,470		19,216		4,263,686
2012	4,446,092		28,690		4,474,782
2013	4,571,071		24,746		4,595,817
2014	4,675,523		45,152	\$ 125,000	4,845,675
2015	4,819,869		48,977	50,000	4,918,846
2016	4,792,581		97,872	50,000	4,940,453
2017	4,693,659		41,790	152,000	4,887,449
2018	5,245,919	380	170,292		5,416,591

Source: Princeton Charter School Financial Reports.

PRINCETON CHARTER SCHOOL  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Mortgage Loans Payable			
2009		\$ 8,420,000	\$ 8,420,000	0.51%	\$ 273.31
2010		8,420,000	8,420,000	0.54%	273.51
2011		8,256,323	8,256,323	0.52%	288.72
2012		7,969,065	7,969,065	0.47%	283.37
2013		7,670,104	7,670,104	0.46%	267.26
2014		7,358,963	7,358,963	0.42%	253.09
2015		7,756,000	7,756,000	0.41%	266.50
2016		7,571,057	7,571,057	0.38%	255.75
2017		7,363,088	7,363,088	0.37%	235.63
2018		7,148,144	7,148,144	0.36%	224.63

Note: Details regarding the School's outstanding debt can be found in the notes to financial statements.

a - See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Princeton Charter School Financial Reports.

PRINCETON CHARTER SCHOOL  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS  
 (UNAUDITED)

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2009	30,785	\$ 1,636,068,825	\$ 53,145	8.30%
2010	28,596	1,561,341,600	54,600	8.30%
2011	28,122	1,602,138,462	56,971	8.10%
2012	28,699	1,707,820,092	59,508	5.40%
2013	29,076	1,666,723,548	57,323	3.90%
2014	29,103	1,742,542,125	59,875	3.70%
2015	29,603	1,872,300,941	63,247	3.10%
2016	31,249	1,976,093,013	63,237	2.80%
2017	31,822	2,012,327,814	63,237 **	2.60%
2018	31,822 *	2,012,327,814 *	63,237 **	N/A

N/A - Information is not available.

\* - Latest PCS population (2017) available was used for calculation purposes.

\*\* - Latest Mercer County per capita personal income available (2016) was used for calculation purposes.

Sources:

- <sup>a</sup> Population information provided by the NJ Department of Labor and Workforce Development.
- <sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented.
- <sup>d</sup> Unemployment data provided by the NJ Department of Labor and Workforce Development.

PRINCETON CHARTER SCHOOL  
PRINCIPAL EMPLOYERS - PRINCETON  
CURRENT YEAR AND NINE YEARS AGO  
 (UNAUDITED)

Employer	2017			2008			Percentage of Total Employment	
	Employer	Employees	Rank	Employer	Employees	Rank	Employment	Employment
RCN Corp.		4,770	1	Princeton University	5,400	1	N/A	N/A
Bristol-Meyers Squibb		4,500	2	University Medical Center at Princeton	2,550	2	N/A	N/A
Princeton University		4,500	3	Church & Dwight Co.	600	3	N/A	N/A
Deloitte		3,000	4	Princeton Plasma Physics Lab	400	4	N/A	N/A
Radi Ology		3,000	5	Princeton Theological Seminary	280	5	N/A	N/A
Covance Inc.		2,001	6					
DJ Cash Management Inc.		1,500	7					
AM-Re Services Inc.		1,001	8					
Citistech Inc.		1,001	9					
Munich Reinsurance America Inc.		1,001	10					
		<u>26,274</u>			<u>9,230</u>			

N/A - Not Available

Source: Mercer County Treasurer's Office.

PRINCETON CHARTER SCHOOL  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
 (UNAUDITED)

<u>Function/Program</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Regular	28	28	28	28	28	30	28	30	30	37
Other Instruction	4	4	4	4	5	5	6	2	5	3
Support Services:										
School counselor		1	1	1	1	1	1	1	1	1
General Administration and Business Services	3	3	3	3	3	3	4	4	5	5
School Administration Services	2	3	3	3	3	4	5	5	4	3
Plant Operations and Maintenance	1	1	1	1	1	1	1	1	1	1
<b>Total</b>	<b>38</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>41</b>	<b>44</b>	<b>45</b>	<b>43</b>	<b>46</b>	<b>50</b>

Source: Princeton Charter School Business Office.



PRINCETON CHARTER SCHOOL  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
 (UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>b</sup>	Percent Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio Elem.	Average Daily		% Change Average Daily Enrollment	Student Attendance Percentage
							Enrollment (ADE) <sup>d</sup>	Attendance (ADA) <sup>d</sup>		
2009	318	\$ 4,147,850	13,044	12.87%	32	10:1	318.0	305	8.53%	95.91%
2010	344	4,339,711	12,615	4.63%	32	11:1	344.0	331	8.18%	96.22%
2011	344	4,325,974	12,576	-0.32%	32	11:1	343.9	334	-0.03%	97.12%
2012	344	4,695,421	13,649	8.54%	32	11:1	344.0	333	0.03%	96.80%
2013	344	5,000,196	14,535	6.49%	33	11:1	344.1	332	0.03%	96.48%
2014	344	5,213,605	15,156	4.27%	35	10:1	344.0	332	-0.03%	96.51%
2015	348	5,695,765	16,367	9.25%	34	11:1	347.2	335	0.93%	96.49%
2016	348	5,628,915	16,175	-1.17%	32	11:1	347.7	336	0.14%	96.64%
2017	348	5,753,120	16,532	2.21%	35	11:1	347.6	332	-0.03%	95.51%
2018	398	6,718,944	16,882	16.79%	40	10:1	399.0	381	14.79%	95.49%

Note: Enrollment is based on final June enrollment count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

Source: Princeton Charter School Business Office.

PRINCETON CHARTER SCHOOL  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
 (UNAUDITED)

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Multi-Purpose Campus Center</u>										
Square Feet	N/A	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Capacity (Students)	N/A	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>K-4 School Building (2003)</u>										
Square Feet	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800
Capacity (Students)	135	159	159	159	159	159	159	159	159	202
Enrollment	132	156	156	156	156	156	159	159	159	201
<u>5-8 School Building (1963)</u>										
Square Feet	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800
Capacity (Students)	188	188	188	188	188	188	188	188	188	200
Enrollment	188	188	188	188	188	188	188	188	188	197
<u>Business Office Building - Marsee Center (1879)</u>										
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200

Number of Schools at June 30, 2018:

Elementary = 1

Middle School = 1

N/A - Not Applicable

Source: School Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the final June school count.

PRINCETON CHARTER SCHOOLINSURANCE SCHEDULEJUNE 30, 2018

(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - N.J. Schools Insurance Group:		
Property:		
Blanked building and contents	\$ 14,692,596	\$ 1,000
Blanket extra expense	50,000,000	1,000
Blanket valuable papers and records	10,000,000	1,000
Business Income	3,000,000	1,000
Loss of rents	31,000	1,000
Flood - zones A & V - Pool Aggregate	25,000,000	500,000
Flood - all other	75,000,000	10,000
EDP		
Blanket hardware/software	250,000	1,000
Blanket extra expense	Included	
Equipment Breakdown		
Property Damage & Extra Expense	100,000,000	1,000
Crime		
Public employee dishonesty	250,000	1,000
Forgery or alteration	250,000	1,000
Computer fraud	250,000	1,000
Money orders & counterfeit papers	50,000	500
Loss of money & securities	50,000	500
General Liability		
Each Occurrence CSL	16,000,000	
Products/Completed Ops Ann Agg	16,000,000	
Sexual abuse per occ	16,000,000	
Sexual abuse annual pool agg	17,000,000	
Personal injury & advertising injury	16,000,000	
Employee Benefits	16,000,000	1,000
Medical Payments	10,000	

PRINCETON CHARTER SCHOOL  
INSURANCE SCHEDULE  
JUNE 30, 2018  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Automobile		
Comprehensive automobile liability	\$ 16,000,000	
Errors and Omissions - N.J. Schools Insurance Group	16,000,000	\$ 10,000
Boiler and Machinery - N.J. Schools Insurance Group	100,000,000	1,000
Workers Compensation - N.J. Schools Insurance Group		
Bodily Injury by Accident	2,000,000	Each Acc.
Bodily Injury by Disease	2,000,000	Each Employee
Bodily Injury by Disease	2,000,000	Agg. Limit
Supplemental Workers Compensation - N.J. Schools Insurance Group:		
Maximum weekly benefit (52 weeks Maximum Benefit Period)	2,500	
Student Accident Insurance		
Basic sports K-8	5,000,000	
Volunteer Coverage	25,000	
Bond		
Michael Falkowski	180,000	1,000
Group Catastrophe Access Program:		
Limit each occurrence	50,000,000	
Aggregate	150,000,000	

Source: Princeton Charter School Business Office

PRINCETON CHARTER SCHOOL  
FINANCIAL PERFORMANCE - GOVERNMENTAL ACTIVITIES  
LAST THREE FISCAL YEARS  
(UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Cash	\$ 348,890	\$ 525,965	\$ 172,331
Current Assets	606,860	675,380	672,765
Total Assets	11,762,107	11,307,908	10,833,306
 Total Assets and Deferred Outflows	 13,232,980	 12,720,790	 11,813,852
Current Liabilities	99,321	109,619	80,242
Total Liabilities	9,188,075	9,094,616	8,187,471
Deferred Inflows of Resources	11,158	51,688	277,727
Net Position	<u>\$ 4,033,747</u>	<u>\$ 3,574,486</u>	<u>\$ 3,348,654</u>
Total Revenue	\$ 6,799,983	\$ 7,265,320	\$ 8,339,576
Total Expenses	<u>7,034,280</u>	<u>7,724,581</u>	<u>8,565,408</u>
Change in Net Position	<u>\$ (234,297)</u>	<u>\$ (459,261)</u>	<u>\$ (225,832)</u>
Depreciation Expense	\$ 548,780	\$ 522,719	\$ 519,155
Principal Payments	\$ 183,726	\$ 207,969	\$ 214,944
Interest Payments	\$ 220,722	\$ 234,937	\$ 230,910
Final Average Daily Enrollment	347.7	347.6	399.0
March 30th Budgeted Enrollment	348	348	402
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Near Term Indicators:			
Current Ratio	6.11	6.16	8.38
Unrestricted Days Cash	21.03	30.98	5.81
Enrollment Variance	99.91%	99.89%	99.25%
Default	No	Yes	No
Sustainability Indicators:			
Cash Flow	\$ 53,883	\$ 177,075	\$ (353,634)
Debt Service Coverage Ratio	N/A	N/A	N/A

SINGLE AUDIT SECTION



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Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards  
Independent Auditors' Report

The Honorable President and Members  
of the Board of Trustees  
Princeton Charter School  
County of Mercer, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Princeton Charter School, in the County of Mercer (the "Charter School") 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, and have issued our report thereon dated January 31, 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 a reasonable possibility that a material misstatement of the Charter School'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members  
of the Board of Trustees  
Princeton Charter School  
Page 2

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of 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*.

### 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 result of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nisivoccia, LLP*

January 31 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP

*Kathryn L. Mantell*

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Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant





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Report on Compliance For Each Major State Program:  
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Trustees  
 Princeton Charter School  
 County of Mercer, New Jersey

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

We have audited the Princeton Charter School's (the "Charter School's") compliance with the types of compliance requirements described in the and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2018. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

The Honorable President and Members  
of the Board of Trustees  
Princeton Charter School  
Page 2

***Opinion on Each Major State Program***

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

**Report on Internal Control Over Compliance**

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

January 31, 2019  
Mount Arlington, New Jersey

*Nisivoccia, LLP*

NISIVOCCIA LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

PRINCETON CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE PERIOD ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2017		Balance June 30, 2018			
					Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Amount Paid to Subrecipients	
<u>Special Revenue Fund:</u>										
US Department of Education Passed-through State of New Jersey Department of Education Special Education Cluster:										
IDEA- B, Basic	84.027	IDEA-7540-18	7/1/17-6/30/18	\$ 51,007	\$	51,007	\$	(51,007)		
IDEA- B, Preschool	84.173	IDEA-7540-18	7/1/17-6/30/18	1,051		1,051		(1,051)		
Total Special Education Cluster						52,058		(52,058)		
<u>Elementary and Secondary Education Act:</u>										
Title I - Part A	84.010A	ESEA-7540-18	7/1/17-6/30/18	24,411		24,411		(24,411)		
Title II - Part A	84.367A	ESEA-7540-18	7/1/17-6/30/18	5,898		5,898		(5,898)		
Charter Implementation Grant						97,937		(97,937)		
Total Special Revenue Fund						180,304		(180,304)		
<u>Enterprise Fund:</u>										
U.S. Department of Agriculture Passed-through State Department of Agriculture:										
Child Nutrition Cluster:										
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	8,185	\$	(3,861)	\$	1,665	(2,196)	
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	12,815		11,947		(12,815)	(868)	
Total Enterprise Fund						(3,861)		13,612	(3,064)	
Total Federal Awards						\$ (3,861)	\$ 193,916	\$ (193,119)	\$ (3,064)	\$ -0-

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

PRINCETON CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE PERIOD ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	June 30, 2017		June 30, 2018		MEMO	
				(Accounts Receivable)	Cash Received	Budgetary Expenditures	GAAP Receivable	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:									
General Fund:									
Local Levy - Charter School Aid	18-495-034-5120-071	7/01/17-6/30/18	\$ 443,525	\$ 443,525	\$ (443,525)	\$	\$ (10,626)	\$ (10,626)	\$ 443,525
Adjustment Aid	18-495-034-5120-085	7/01/17-6/30/18	332,766	322,140	(332,766)				332,766
Security Aid	18-495-034-5120-084	7/01/17-6/30/18	30,069	30,069	(30,069)				30,069
Special Education Aid	18-495-034-5120-089	7/01/17-6/30/18	67,824	67,824	(67,824)				67,824
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/01/17-6/30/18	213,307	213,307	(213,307)				213,307
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/01/17-6/30/18	365,495	365,495	(365,495)				365,495
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/01/17-6/30/18	241,794	241,794	(241,794)				241,794
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/01/17-6/30/18	834	834	(834)				834
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/01/17-6/30/18	8,870	8,870	(8,870)				8,870
Total General Fund			1,693,858	1,693,858	(1,704,484)		(10,626)	(10,626)	1,704,484
Enterprise Fund:									
State School Lunch Program	17-100-010-3350-023	7/01/16-6/30/17	702	144			(187)	(187)	702
State School Lunch Program	18-100-010-3350-023	7/01/17-6/30/18	1,071	1,001	(1,071)		(70)	(70)	1,071
Total Enterprise Fund			1,703	1,145	(1,071)		(257)	(257)	1,773
Total State Awards Subject to Single Audit Determination			\$	\$ (331)			(187)	(70)	702
				(331)			(257)	(257)	1,773
Total State Awards Subject to Single Audit Determination			\$	\$ (331)	(1,705,555)	\$	(10,883)	(10,883)	\$ 1,706,257
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Pension System Contributions:									
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/01/17-6/30/18	(365,495)		365,495				
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/01/17-6/30/18	(241,794)		241,794				
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/01/17-6/30/18	(834)		834				
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/01/17-6/30/18	(8,870)		8,870				
Subtotal - On-Behalf TPAF Pension System Contributions					616,993				
									<u>\$ (1,088,562)</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS

PRINCETON CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards include federal and state grant activity of the Board of Trustees, Princeton Charter School under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds 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.

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 revenue, whereas the GAAP basis does not.

PRINCETON CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is \$-0- for the General and Special Revenue Funds. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund		\$ 1,704,484	\$ 1,704,484
Special Revenue Fund	\$ 180,304		180,304
Enterprise Fund	12,815	1,071	13,886
	\$ 193,119	\$ 1,705,555	\$ 1,898,674

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

PRINCETON CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Charter School.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the Charter School which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the Charter School expresses an unmodified opinion on all of its major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The Charter School's major state programs for the current period consisted of the following State awards:

<u>Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Programs:				
Local Levy - Charter School Aid	18-495-034-5120-071	7/1/17-6/30/18	\$ 443,525	\$ 443,525
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	67,824	67,824
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	30,069	30,069
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	332,766	332,766

- The threshold used for distinguishing between State Type A and Type B programs was \$750,000.
- The Charter School was determined to be a "low risk" auditee for State Programs.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

PRINCETON CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

The prior year finding 2017-001 that the Charter School be consistent with the treatment of liabilities has been resolved in the current year.