

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2017

**Classical Academy Charter
School of Clifton**

**PREPARED BY
Classical Academy Charter School of Clifton**

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

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Classical Academy Charter School of Clifton

20ValleyRoad,Clifton,NJ07013 .

Tel:(973) 278-7707 . Fax:(973)278-7720

A National Blue Ribbon School of Excellence (2008)

A New Jersey "REWARD SCHOOL" (2012)

A "TOP TEN" New Jersey School (2013)

November 16, 2017

Honorable President and
Members of the Board of Trustees
Classical Academy Charter School of Clifton
County of Passaic
Clifton, New Jersey

Dear Board Members:

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

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the New Jersey State Office of Management and Budget (OMB) Circular Letter 15-08, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

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

1. **REPORTING ENTITY AND ITS SERVICES:** The Classical Academy Charter School of Clifton is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

Now in its 17th year of existence, the Classical Academy Charter School of Clifton, County of Passaic’s first public charter school, continues to reach new milestones. Each year the school realizes its mission and attains, indeed, surpasses by large margins, many of its goals and objectives for collectively and individually high student learning outcomes, and for achieving overall institutional success, objectively measured and acclaimed. For a more detailed account of the Classical Academy Charter School of Clifton’s school and academic program, and the school’s many accomplishments, interested parties are urged to call the school (973-278-7707) and request a copy of the ‘Academic and school program,’ or consult the state’s online ‘Report Card’ (the narrative portion) or the Classical Academy Charter School of Clifton’s own website:(www.classicalacademy.org).

2. **ENROLLMENT OUTLOOK:** Classical Academy Charter School of Clifton’s success and glowing reputation is shown, by one important measure, in the strong demand for Classical Academy Charter School of Clifton admissions as demonstrated when Clifton parents have the opportunity to exercise parental choice in public Middle School (grades 6-8) education. Although the school reaches out to the community by advertisements, articles about the school in local newspapers, and other means, most admission applicants, having heard about the school’s highly-deserved reputation for excellence, are referred to the school by neighbors, relatives, friends, and from those who have had their own children attend the Classical Academy Charter School of Clifton. Each year the Classical Academy Charter School of Clifton receives approximately two applications for each of the 40 6th grade vacancies. Mirroring exactly the demographics of Clifton, NJ public schools, 85% of the Classical Academy Charter School of Clifton’s typical school enrollment are students whose parents or they themselves were born outside the U.S.;

65% of the school's student population is of Hispanic heritage. The school's 'poverty rate' based on students qualifying for "Free or Reduced Lunch Program' averages annually between 35%-45% each year. In the future, the school hopes to add the 4th and 5th grades.

Classical Academy Charter School of Clifton provides a full range of educational services appropriate to Grades 6-8. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2016-2017 school year with an enrollment of 118 students. The following details the student enrollment of the Charter School.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	118	1.72%
2015-2016	116	0.87%
2014-2015	115	-1.71%
2013-2014	117	0.86%
2012-2013	116	-1.69%
2011-2012	118	2.61%
2010-2011	115	-0.01%

3. **MAJOR ACCOMPLISHMENTS:** The Classical Academy Charter School of Clifton's three-year academic program in grades 6, 7 and 8 and its practices and policies continue to prove highly effective in producing high student learning at lost cost – about 60%-70% of the prevailing north Jersey 'per pupil cost'. For five of the last six years, 100% of 8th grade students passed all three tested subjects (language arts, mathematics, and science) on the state-mandated 'ASK-8' test; and the year (2015) when not every student passed every subject, our ASK-8 'passing rate' was high at 97% in both language arts and science, and 94% in mathematics.

The Classical Academy Charter School of Clifton produces outstanding results, consistently and at the highest levels, is not a subjective appraisal. In 2008 the Federal Dept. of Education honored the school with a "National Blue Ribbon School of Excellence' award (only the 2nd New Jersey public charter school in 16 years to be so honored); in 2012 the New Jersey Dept. of Education designated the Classical Academy Charter School of Clifton a 'REWARD' school, its designation for high-achieving public schools, charter and traditional; and in 2013, the 'National New Campaign for Achievement Now' (NJCAN), a citizens education action group, recognized the Classical Academy Charter School of Clifton with its 'TOP TEN' awards: one award for being a top ten NJ school for educating 'Low Income Students' and another 'Top Ten' award for educating to high levels 'Latino Students', and one for overall excellence in middle-school education.

What is more, the Classical Academy Charter School of Clifton achieves these high student outcomes by spending \$9,000 for each student, a figure well below the prevailing per pupil cost.

4. **INTERNAL ACCOUNTING CONTROLS:** Since 2012, the Classical Academy Charter School of Clifton has put in place fiscal controls and structures advocated by the New Jersey Dept. of Education's Office of Charter Schools. Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like to be derived; and (2) the valuation of costs and benefits requires estimates the judgments by management.

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

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

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

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

6. **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7. **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the Charter School continues to meet its responsibility for sound financial management.

8. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Basic Financial Statements”, Notes 1 and 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

10. **OTHER INFORMATION:**
Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Koh LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related New Jersey OMB Letter Circular Letter 15-08.

The auditor’s report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

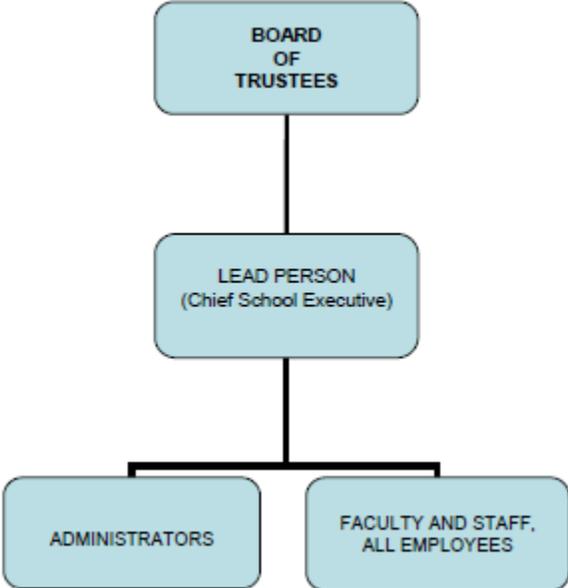
Respectfully submitted,



Bima Baje
School Business Administrator

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

ORGANIZATIONAL CHART



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2017

Voting Members

MEMBERS OF THE BOARD OF TRUSTEES	TERM
Punita Meghani, President	6/30/19
Wafa Al-Rimawi, Board Member	6/30/17
Bahaa Housni, Board Member	6/30/17
Renee Mendez, Board Member	6/30/19
Hetal Rao, Board Member	6/30/17
Christina Blanco, Board Member	6/30/19

**Non-Voting Members
(Terms co-terminus with Classical Academy Employment)**

Sandra Giordano, Lead Person

Bima Baje, School Business Administrator and Board Secretary

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Koh LLP
115 Davis Station Rd
Cream Ridge, NJ 08514

Attorney

Riker Danzig Scherer Hyland Perretti LLP
One Speedwell Avenue
Morristown, New Jersey

Official Depositories

TD Bank North
Clifton, NJ

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Trustees
Classical Academy Charter School of Clifton
County of Passaic
Newark, 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 Classical Academy Charter School of Clifton (the Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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 Classical Academy Charter School of Clifton, in the County of Passaic, State of New Jersey as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 17, Budgetary Comparison Information on pages 61 through 64, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) on pages 65 through 68 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.

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying combining and individual fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT - CONTINUED

The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.


Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400


GALLEROS KOH LLP
Certified Public Accountants

November 16, 2017
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON (COUNTY OF PASSAIC, NEW JERSEY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

Introduction

This section of the Classical Academy Charter School of Clifton's (the "Charter School") annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting Model adopted by the Governmental Accounting Standards Board (GASB).

Financial Highlights

Key Financial highlights for the fiscal year 2017 are as follows:

- General revenues accounted for \$1,184,609 or 73% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$444,277 or 27% of total revenues of \$1,628,886.
- The Charter School had \$1,689,954 in expenses; only \$444,277 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,184,609 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$1,352,512 in revenues and \$1,371,111 in expenditures.

Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Classical Academy Charter School of Clifton as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Classical Academy Charter School of Clifton, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities; the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of other, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Statement of Net Position and Statements of Activities

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2017. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities – Most of the Charter School’s programs and services are reported here including instructional, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

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

Reporting the School Charter School’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School’s major funds, not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School’s only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School’s activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statement provides a detailed short-term view of the Charter School’s general government operations and the basic services it provides.

Governmental fund information helps determine whether there are sufficient financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School’s net position at June 30, 2017.

The total net position of the Charter School have decreased by \$61,068 during the current fiscal year.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The table that follows reflects the net position for fiscal year 2017.

	Governmental Activities	Business Type Acvtivities	Total
Assets			
Current Assets	\$ 1,844,721	\$ -	\$ 1,844,721
Capital Assets, net	499,482	-	499,482
Total Assets	<u>2,344,203</u>	<u>-</u>	<u>2,344,203</u>
Deferred outflow of resources	<u>96,461</u>	<u>-</u>	<u>96,461</u>
Liabilities			
Current Liabilities	61,565	-	61,565
Noncurrent Liabilities	135,553	-	135,553
Total Liabilities	<u>197,118</u>	<u>-</u>	<u>197,118</u>
Deferred inflow of resources	<u>20,007</u>	<u>-</u>	<u>20,007</u>
Net Position			
Invested in Capital Assets (net of related debt)	499,482	-	499,482
Unrestricted	1,724,057	-	1,724,057
Total Net Position	<u>\$ 2,223,539</u>	<u>\$ -</u>	<u>\$ 2,223,539</u>

The Charter School's combined net position was \$2,223,539 at June 30, 2017.

The table that follows reflects the change in net position for fiscal year 2017.

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ -	\$ 76	\$ -	\$ 76
Operating grants and Contributions	444,277	327,867	-	-	444,277	327,867
Total Program Revenues	<u>444,277</u>	<u>327,867</u>	<u>-</u>	<u>76</u>	<u>444,277</u>	<u>327,943</u>
General Revenues:						
Local Aid	817,182	832,152	-	-	817,182	832,152
Federal and State Aid	365,873	337,895	-	-	365,873	337,895
Miscellaneous	1,554	3,404	-	-	1,554	3,404
Total General Revenues	<u>1,184,609</u>	<u>1,173,451</u>	<u>-</u>	<u>-</u>	<u>1,184,609</u>	<u>1,173,451</u>
Total Revenues	<u>1,628,886</u>	<u>1,501,318</u>	<u>-</u>	<u>76</u>	<u>1,628,886</u>	<u>1,501,394</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenditures:						
Instructions	\$ 970,303	\$ 870,500	\$ -	\$ -	\$ 970,303	\$ 870,500
Administrative	486,415	375,015	-	-	486,415	375,015
Support services	208,463	221,090	-	-	208,463	221,090
Unallocated						
Depreciation	24,697	30,996	-	-	24,697	30,996
Food Service	-	-	76	-	76	-
Total Expenditures	<u>1,689,878</u>	<u>1,497,601</u>	<u>76</u>	<u>-</u>	<u>1,689,954</u>	<u>1,497,601</u>
Change in Net Position	<u>\$ (60,992)</u>	<u>\$ 3,717</u>	<u>\$ (76)</u>	<u>\$ 76</u>	<u>\$ (61,068)</u>	<u>\$ 3,793</u>

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2017.

Business-Type Activity

The business-type activities of the Charter School are the food service operations. These programs had no revenues and operating expenses of \$76 for fiscal year 2017.

The Charter School’s Funds

The Charter School’s governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$1.45 million and expenditures of \$1.47 million.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue -based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

For the General Fund, final budgeted revenues were \$1.22 million which included a local tax levy of \$0.82 million. Expenditures were budgeted at \$1.51 million. The Charter School anticipated a decrease in fund balance of \$0.29 million. In its fiscal year 2016-2017, actual revenues were \$1.35 million and expenditures were \$1.37 million.

The State of New Jersey reimbursed the Charter School \$47,459 during the year ended June 30, 2017 for the employer’s share of social security contributions for TPAF members while on-behalf TPAF payments for pension, post-retirement medical benefits and long-term disability insurance were \$120,444. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2017, the Charter School had \$499,482 invested in capital assets all in governmental activities.

The table below reflects fiscal year 2017 balances:

	Governmental Activities	Business Type Activities	Total
Building and Building Improvements	\$ 617,442	\$ -	\$ 617,442
Machinery and Equipment	165,661	-	165,661
Land and Land Improvements	<u>151,300</u>	<u>-</u>	<u>151,300</u>
Total Capital Assets	934,403	-	934,403
Less: Accumulated Depreciation	<u>(434,921)</u>	<u>-</u>	<u>(434,921)</u>
Totals	<u>\$ 499,482</u>	<u>\$ -</u>	<u>\$ 499,482</u>

Economic Factors and Next Year’s Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2016-2017. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey’s Core Curriculum Content Standards.

Contacting the Charter School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School’s finances and to reflect the Charter School’s accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Classical Academy Charter School of Clifton, 20 Valley Road, Clifton, New Jersey 07103.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,689,045	\$ -	\$ 1,689,045
Restricted cash	75,000	-	75,000
Security deposit	43,333	-	43,333
Accounts receivable	15,578	-	15,578
Interfund receivables - Fiduciary	21,765	-	21,765
Total current assets	<u>1,844,721</u>	<u>-</u>	<u>1,844,721</u>
Capital assets:			
Machinery and equipment	934,403	-	934,403
Less: Accumulated depreciation	<u>(434,921)</u>	<u>-</u>	<u>(434,921)</u>
Net capital assets	<u>499,482</u>	<u>-</u>	<u>499,482</u>
Total assets	<u>2,344,203</u>	<u>-</u>	<u>2,344,203</u>
Deferred outflow of resources	<u>96,461</u>	<u>-</u>	<u>96,461</u>
Liabilities			
Current Liabilities:			
Accounts payable	43,696	-	43,696
Intergovernmental payable - state	10,634	-	10,634
Deferred revenues	7,235	-	7,235
Total current liabilities	<u>61,565</u>	<u>-</u>	<u>61,565</u>
Long-Term Liabilities:			
Pension Liability			
Due within one year	5,767	-	5,767
Due in more than one year	129,786	-	129,786
Total long-term liabilities	<u>135,553</u>	<u>-</u>	<u>135,553</u>
Total liabilities	<u>197,118</u>	<u>-</u>	<u>197,118</u>
Deferred inflow of resources	<u>20,007</u>	<u>-</u>	<u>20,007</u>
Net position			
Invested in capital assets, net of related debt	499,482	-	499,482
Unrestricted	<u>1,724,057</u>	<u>-</u>	<u>1,724,057</u>
Total net position	<u>\$ 2,223,539</u>	<u>\$ -</u>	<u>\$ 2,223,539</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 970,303	\$ -	\$ 334,698	\$ (635,605)	\$ -	\$ (635,605)
Administrative cost	486,415	-	81,536	(404,879)	-	(404,879)
Support services	208,463	-	28,043	(180,420)	-	(180,420)
Unallocated:						
Depreciation	24,697	-	-	(24,697)	-	(24,697)
Total governmental activities	1,689,878	-	444,277	(1,245,601)	-	(1,245,601)
Business-type activities:						
Food Service	76	-	-	-	(76)	(76)
Total primary government	<u>\$ 1,689,954</u>	<u>\$ -</u>	<u>\$ 444,277</u>	<u>(1,245,601)</u>	<u>(76)</u>	<u>(1,245,677)</u>
General revenues, transfers and special items:						
Local sources				\$ 817,182	-	\$ 817,182
State sources				365,873	-	365,873
Miscellaneous				1,554	-	1,554
Total general revenues, transfers and special items				<u>1,184,609</u>	<u>-</u>	<u>1,184,609</u>
Changes in net position				(60,992)	(76)	(61,068)
Net position - beginning				<u>2,284,531</u>	<u>76</u>	<u>2,284,607</u>
Net position - ending (A-1)				<u>\$ 2,223,539</u>	<u>\$ -</u>	<u>\$ 2,223,539</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,689,045	\$ -	\$ 1,689,045
Restricted cash	75,000	-	75,000
Security deposit	43,333	-	43,333
Accounts receivable:			
State	4,713	-	4,713
Federal	-	10,865	10,865
Interfund receivables	27,395	(5,630)	21,765
Total assets	<u>\$ 1,839,486</u>	<u>\$ 5,235</u>	<u>\$ 1,844,721</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	43,696	\$ -	\$ 43,696
Intergovernmental payables:			
State	10,634	-	10,634
Deferred revenue	2,000	5,235	7,235
Total liabilities	<u>56,330</u>	<u>5,235</u>	<u>61,565</u>
Fund balances:			
Assigned	6,000		6,000
Unassigned	1,777,156	-	1,777,156
Total fund balances	<u>1,783,156</u>	<u>-</u>	<u>1,783,156</u>
Total liabilities and fund balances	<u>\$ 1,839,486</u>	<u>\$ 5,235</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 934,403
Accumulated depreciation	<u>(434,921)</u>
	<u>499,482</u>

Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.

76,454

Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(135,553)

Net position of governmental activities - A-1

\$ 2,223,539

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Total
Revenues			
Local Sources:			
Local tax levy	\$ 817,182	\$ -	\$ 817,182
Miscellaneous	1,554	-	1,554
Total revenues -local sources	<u>818,736</u>	-	<u>818,736</u>
State sources	365,873	-	365,873
Federal sources	-	97,798	97,798
Reimbursed TPAF - Social Security (non-budgeted)	47,459	-	47,459
On-Behalf Teachers' Pension and Annuity Fund (non-budgeted)	65,598	-	65,598
On Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical (non-budgeted)	54,658	-	54,658
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance (non-budgeted)	188	-	188
Total revenues	<u>1,352,512</u>	<u>97,798</u>	<u>1,450,310</u>
Expenditures			
Current expense:			
Instruction	525,919	97,798	623,717
Administrative cost	509,854	-	509,854
Support services	167,435	-	167,435
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	47,459	-	47,459
On-Behalf Teachers' Pension and Annuity Fund (non-budgeted)	65,598	-	65,598
On Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical (non-budgeted)	54,658	-	54,658
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance (non-budgeted)	188	-	188
Total expenditures	<u>1,371,111</u>	<u>97,798</u>	<u>1,468,909</u>
Excess expenditures over revenues	(18,599)	-	(18,599)
Fund balances at beginning of the year	<u>1,801,755</u>	-	<u>1,801,755</u>
Fund balances at end of year	<u>\$ 1,783,156</u>	<u>\$ -</u>	<u>\$ 1,783,156</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds (B-2) \$ (18,599)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Capital outlay	-
Depreciation expense	(24,697)

In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amounts exceeds the paid amount, the difference is a reduction in the reconciliation, when the paid amount, exceeds the earned amount the difference is an addition to the reconciliation

Pension costs	<u>(17,696)</u>
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Change in net position of governmental activities (A-2) \$ (60,992)

PROPRIETARY FUNDS

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2017

Assets

Current assets:

Cash and cash equivalents	\$	-
Accounts receivable:		
Federal		-
State		-
		-
		-

Total assets	\$	-
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Liabilities

Current liabilities

Interfund payable - General fund	\$	-
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Net position

Unrestricted		-
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Total liabilities and net position	\$	-
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**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2017

Operating revenues:		
Charges for services:		
Daily sales - nonreimbursable programs	\$	-
Miscellaneous revenue		<u>-</u>
Total Operating revenues		<u>-</u>
Operating expenses:		
Miscellaneous		<u>76</u>
Operating loss		<u>(76)</u>
Nonoperating revenues:		
State sources:		
State School Lunch Program		-
Federal sources:		
National School Lunch Program		-
National School Breakfast Program		-
After School Snacks		<u>-</u>
Total nonoperating revenues		<u>-</u>
Change in net position		(76)
Total net position at beginning of year		<u>76</u>
Total net position at end of year	\$	<u><u>-</u></u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

Cash flows from operating activities

Operating loss	\$ (76)
Changes in assets and liabilities:	
Interfund payable	<u>76</u>
Net cash from operating activities	-

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of the year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>

FIDUCIARY FUNDS

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

Assets

Cash and cash equivalents	\$ 33,094
Interfund receivables	<u>2,497</u>
Total assets	<u>\$ 35,591</u>

Liabilities and Net Position

Liabilities:

Payroll withholdings payable	\$ 4,216
Accounts payable	7,113
Interfund payables	<u>24,262</u>
Total liabilities	35,591

Net Assets

Restricted

Unemployment compensation	<u>-</u>
Total liabilities and net position	<u>\$ 35,591</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

Revenues:		
General fund appropriation	\$	5,650
Employees' contributions		<u>2,201</u>
Total revenues		<u>7,851</u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u>7,851</u>
Total expenditures		<u>7,851</u>
Excess of revenues over expenditures		-
Fund balance at beginning of the year		<u>-</u>
Fund balance at end of year	\$	<u><u>-</u></u>

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Classical Academy Charter School of Clifton (the "Charter School") is presented to assist in understanding the Charter School's financial statements and notes are representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity:

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

B. Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

C. Basis of Presentation

The financial statements of the Charter School have been prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Continued

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Charter School’s overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School’s activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

D. Basic Financial Statements

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

Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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

E. Governmental Funds

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

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

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2017, there was no debt service fund.

F. Proprietary Funds

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

Enterprise Funds:

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

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

Internal Service (Self-Insurance) Fund:

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

G. Fiduciary Funds

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

Expendable Trust Funds - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

Nonexpendable Trust Funds - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

Agency Funds - Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations. Agency funds include payroll and student activities funds.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting

Measurement Focus - Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

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

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. 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.

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 special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

J. Deposits, Investments and Risk Disclosure

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

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - continued

original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - continued

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

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

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. Although GASB Statement No. 40 eliminated Categories 1 and 2 as previously established by GASB Statement No. 3, it maintained, with modification, the level-of-disclosure requirements of GASB Statement No. 3.

As of June 30, 2017, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

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

K. Prepaid Expenses

Prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

There was no prepayment as of June 30, 2017.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Position.

M. Fixed Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. The Charter School does not have capital assets as of June 30, 2017.

N. Deferred Outflows/Inflows of Resources

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

O. Compensated Absences

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

Charter School employees are granted sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave. Vacation days not used during the year may only be carried forward with approval from the Head of School.

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 in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, there are no liabilities for compensated absences in the Food Service Fund.

P. Net Pension Liability (Asset)

The net pension liability (asset) represents the Charter School's proportionate share of the net pension liability (asset) of the New Jersey State Pension Employees' Retirement System and the New Jersey State Teachers' Pension and Annuity Fund System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Deferred Revenue

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

R. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

S. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. Fund Balance and Equity - Continued

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

T. Net Position

Net Position on the *Statement of Net Position* include the following:

Investments in Capital Assets, net of Related Debt - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

T. Net Position - Continued

Restricted for Specific Purposes – the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

Restricted for Debt Service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Position Restricted for Specific Purposes or Net Position Restricted for Debt Services.

U. Contributed Capital

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

V. Interfund Transactions

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

W. Use of Estimates

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

X. Accounting for Uncertainty in Income Taxes

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2014.

Y. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the State of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund, and for post-retirement medical benefits of members. The amounts are not required to be included in the Charter School's annual budget.

Z. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 16, 2017.

NOTE 2 APPLICATION OF NEW ACCOUNTING STANDARDS

For the year ended June 30, 2017, the Charter School implemented the following:

GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The adoption of this Standard did not have an effect on the Charter School's financial statements.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 APPLICATION OF NEW ACCOUNTING STANDARDS - CONTINUED

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this Standard did not have an effect on the Charter School's financial statements.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this standard was included in the Required Supplementary Schedule, Schedule L.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk.

As of June 30, 2017, the Charter School's carrying amount of deposits and investments are as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 1,689,045	\$ -	\$ 33,094	\$ 1,722,139
Restricted cash	75,000	-	-	75,000
Total	<u>\$ 1,764,045</u>	<u>\$ -</u>	<u>\$ 33,094</u>	<u>\$ 1,797,139</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2017, the Charter School's carrying amount of deposits was \$1,797,139 and the bank balance was \$1,851,531. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2017 were secured by federal deposit insurance and \$1,601,531 covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which is fully funded at June 30, 2017. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur."

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Governmental Activities			
Capital assets not being depreciated:			
Land and Land Improvements	\$ 151,300	\$ -	\$ 151,300
Total Capital Assets Not Being Depreciated	<u>151,300</u>	<u>-</u>	<u>151,300</u>
Capital assets being depreciated:			
Cost			
Building and Building Improvements	617,442	-	617,442
Machinery and Equipment	<u>165,661</u>	<u>-</u>	<u>165,661</u>
Total at Historical Cost	783,103	-	783,103
Less: Accumulated depreciation			
Building and Building Improvements	244,563	24,697	269,260
Machinery and Equipment	<u>165,661</u>	<u>-</u>	<u>165,661</u>
Total Accumulated Depreciation	<u>410,224</u>	<u>24,697</u>	<u>434,921</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>372,879</u>	<u>(24,697)</u>	<u>348,182</u>
Capital assets, net	<u>\$ 524,179</u>	<u>\$ (24,697)</u>	<u>\$ 499,482</u>

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

NOTE 5 LONG-TERM DEBT

At June 30, 2017, the Charter High School's noncurrent liabilities reported in the Statement of Net Position is as follow.

Long-Term Debt	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance at June 30, 2017</u>	<u>Due within One Year</u>
Net Pension Liability	\$ 123,913	\$ 7,574	\$ 4,066	\$ 135,553	\$ 5,767

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 LONG-TERM DEBT – CONTINUED

The net pension liability classified as due within one year amounting to \$5,767 represents pension contributions for fiscal year 2017 due and payable on April 1, 2018.

NOTE 6 NET POSITION

As of June 30, 2017, governmental activities net position consisted of the following components:

**INVESTMENT IN CAPITAL ASSETS,
NET OF RELATED DEBT**

Capital assets, net	\$	499,482
Less: Long-term obligations		<u>-</u>
		499,482

UNRESTRICTED

Net position not restricted above		<u>1,724,057</u>
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NET POSITION	\$	<u><u>2,223,539</u></u>
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Business-type activities net position did not have any capital assets or restrictions.

NOTE 7 PENSION PLANS

A. Description of Plans

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System (PERS) or the Teacher's Pension and Annuity Fund (TPAF) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS and the TPAF. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

A. Description of Plans - Continued

i. Public Employees' Retirement System (PERS) - continued

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

ii. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

B. Vesting and Benefit Provisions - continued

to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

The Charter School's contribution to PERS for the year ended June 30, 2017 was \$4,066. In addition, for fiscal year 2017, the Charter School contributed \$276 for PERS Long-term disability insurance premiums (LTDI).

The State of New Jersey was required to contribute for TPAF on-behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$120,256. In addition, the State of New Jersey also contributed \$188 for TPAF LTDI for the fiscal year ended June 30, 2017.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$47,459 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contribution and social contribution for TPAF members are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS)

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

At June 30, 2017, the Charter School reported in the charter school-wide statement of net position a net pension liability of \$135,553 for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2016 as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Charter School's proportionate share of the net pension liability was based on the ration of contributions as an individual employer to the total contributions to the PERS for the years ended June 30, 2016 and 2015. At June 30, 2017, the Charter School's proportionate share was 0.0004576841% which is a decrease from the proportionate share of 0.0005338874% at June 30, 2016.

For the year ended June 30, 2017, the Charter School recognized pension expense of \$21,762.

At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,521	\$ -
Changes of assumptions	28,079	-
Net difference between projected and actual earnings on pension plan investments	5,169	-
Change in proportion and differences between Charter School contributions and proportionate share contributions	60,692	20,007
	<u>\$ 96,461</u>	<u>\$ 20,007</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS) -continued

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended <u>June 30</u>
2018	\$ 18,869
2019	18,870
2020	20,527
2021	15,921
2022	2,267

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

Inflation	3.08 %
Salary increases	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on RP-2000 Employee Preretirement Mortality Table for male and female active participants. For Local employees, mortality tables are set back 2 years for males and 7 years for female. 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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

F. GASB 68 Disclosures

ii. Public Employees' Retirement System (PERS) -continued

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

Long-term Expected Rate of Return

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS) -continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	<u>5.25%</u>	5.63%
Total	<u>100.00%</u>	

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS) -continued

plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate share of the net pension liability to changes in the discount rate. The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the 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:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's proportionate share of the net pension liability	<u>\$ 166,104</u>	<u>\$ 135,553</u>	<u>\$ 110,330</u>

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

ii. Teachers Pension and Annuity Fund (TPAF)

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

At June 30, 2017, the State's proportionate share of the net pension liability attributable to the Charter School amounted to \$3,977,216. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - continued

ii. Teachers Pension Annuity Fund (TPAF) -continued

For the year ended June 30, 2017, the Charter School recognized pension expense and related revenue of \$298,832 in the charter school-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio of the State's contribution as an employer and non-employer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the years ended June 30, 2016 and 2015. At June 30, 2016 and 2015, the State's proportion of the net pension liability attributable to Charter School was 0.0050558025% and 0.004788799%.

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

Inflation	2.5 %
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Pre-retirement, post-retirement and disables mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 6-year average Social Security Data from 1953 to 2013.

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

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.9% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits,

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

F. GASB 68 Disclosures - continued

ii. Teachers Pension Annuity Fund (TPAF) -continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High-Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.88%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - Multi-strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	<u>3.75%</u>	3.49%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 3.22% at June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - continued

ii. Teachers Pension Annuity Fund (TPAF) - continued

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 contribution from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, 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 Charter School's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the 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:

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 4,771,574</u>	<u>\$ 3,977,216</u>	<u>\$ 3,361,818</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS

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

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016. (GASB Cod. Sec. 2300.106(g))

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

NOTE 9 DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan is administered by AXA Equity, Inc. permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 RISK MANAGEMENT

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

A. Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Comprehensive Annual Financial Report (Schedule J-20).

B. New Jersey Unemployment Compensation

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.

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

At June 30, 2017, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>			
	<u>Special</u>			
	<u>General</u>	<u>Revenue</u>	<u>Enterprise</u>	<u>Fiduciary</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
General fund	\$ 27,395	\$ (5,630)	\$ -	\$ (21,765)
GASB No 34 mandated eliminations within governmental activities	<u>(5,630)</u>	<u>5,630</u>	<u>-</u>	<u>-</u>
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ 21,765</u>	<u>\$ -</u>	<u>\$ -</u>	
External (Due from Trust and Agency Funds)				<u>\$ (21,765)</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 12 LEASE

Effective May 19, 2017, the Charter School entered into a lease agreement with the St. Paul Roman Catholic Church effective July 1, 2017 for a period of two (2) years until June 30, 2019. The lease has a renewal option for a period of three (3) years. Subsequent extensions are subject to mutual agreement with the St. Paul Roman Catholic Church. Future minimum annual rental is as follows:

	Year Ended <u>June 30</u>
2018	\$ 260,000
2019	267,800

NOTE 13 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2017, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 875,303	\$ (58,121)	\$ 817,182	\$ 817,182	\$ -
Miscellaneous	-	-	-	1,554	1,554
Total revenues - local sources	875,303	(58,121)	817,182	818,736	1,554
State sources	360,775	40,098	400,873	365,873	(35,000)
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	47,459	47,459
On-Behalf Teachers' Pension and Annuity Fund (non-budgeted)	-	-	-	65,598	65,598
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical (non-budgeted)	-	-	-	54,658	54,658
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance (non-budgeted)	-	-	-	188	188
Total revenues	1,236,078	(18,023)	1,218,055	1,352,512	134,457
Expenditures					
Current expense:					
Instruction					
Salaries	536,802	(48,700)	488,102	449,768	38,334
Professional/technical service	10,000	(9,000)	1,000	1,000	-
Other purchased services	10,000	10,500	20,500	12,680	7,820
General supplies	25,000	-	25,000	20,357	4,643
Textbooks	10,000	-	10,000	9,748	252
Miscellaneous	15,000	23,500	38,500	32,366	6,134
Total current expense	606,802	(23,700)	583,102	525,919	57,183
Administrative cost:					
Salaries	217,311	(35,000)	182,311	177,310	5,001
Total benefit costs	162,986	20,200	183,186	134,302	48,884
Professional/technical service	81,500	55,000	136,500	138,199	(1,699)
Other purchased services	29,700	10,500	40,200	35,422	4,778
Communications and telephones	5,000	-	5,000	2,244	2,756
Supplies and materials	8,000	4,000	12,000	10,275	1,725
Miscellaneous	5,000	9,500	14,500	12,102	2,398
Total administrative cost	509,497	64,200	573,697	509,854	63,843
Support services:					
Salaries	65,112	(4,000)	61,112	60,984	128
Purchased professional/technical service	8,000	2,100	10,100	8,795	1,305
Other purchased services	45,700	4,000	49,700	41,987	7,713
Insurance-fidelity, liability, property	35,000	(2,100)	32,900	32,771	129
Supplies and materials	5,000	2,500	7,500	5,701	1,799
Energy costs	25,000	-	25,000	16,033	8,967
Miscellaneous	7,000	-	7,000	1,164	5,836
Total support services	190,812	2,500	193,312	167,435	25,877

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Purchase Land/improvements	200,000	(43,000)	157,000	-	157,000
Total capital outlay	<u>200,000</u>	<u>(43,000)</u>	<u>157,000</u>	<u>-</u>	<u>157,000</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	47,459	(47,459)
On-Behalf Teachers' Pension and Annuity Fund (non-budgeted)	-	-	-	65,598	(65,598)
On Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical (non-budgeted)	-	-	-	54,658	(54,658)
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance (non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>188</u>	<u>(188)</u>
Total expenditures	<u>1,507,111</u>	<u>-</u>	<u>1,507,111</u>	<u>1,371,111</u>	<u>136,000</u>
Excess expenditures over revenues	(271,033)	(18,023)	(289,056)	(18,599)	270,457
Fund balances at beginning of the year	<u>271,033</u>	<u>18,023</u>	<u>289,056</u>	<u>1,801,755</u>	<u>1,512,699</u>
Fund balances at ending of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,783,156</u>	<u>\$ 1,783,156</u>

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenues					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	<u>97,798</u>	<u>-</u>	<u>97,798</u>	<u>97,798</u>	<u>-</u>
Total revenues - all sources	<u>97,798</u>	<u>-</u>	<u>97,798</u>	<u>97,798</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	65,400	-	65,400	65,400	-
Employee benefits	8,424	-	8,424	8,424	-
Supplies and materials	<u>23,974</u>	<u>-</u>	<u>23,974</u>	<u>23,974</u>	<u>-</u>
Total instruction	<u>97,798</u>	<u>-</u>	<u>97,798</u>	<u>97,798</u>	<u>-</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART II

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 1,352,512	[C-2] 97,798
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>1,352,512</u>	[B-2] <u>97,798</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 1,371,111	[C-2] 97,798
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 1,371,111</u>	[B-2] <u>\$ 97,798</u>

Note A -The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

REQUIRED SUPPLEMENTARY INFORMATION

PART III

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF ESSEX, NEW JERSEY)**

EXHIBIT L-1

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - PERS**

Last Three Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.000457684%	0.005338874%	0.000594503%
Charter School's proportionate share of the net pension liability (asset)	\$ 135,553	\$ 119,847	\$ 111,307
Charter School's covered-employee payroll	\$ 54,496	\$ 40,668	\$ 38,052
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.74%	294.70%	293.00%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	38.21%	52.08%

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF ESSEX, NEW JERSEY)**

EXHIBIT L-2

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

Last Three Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,066	\$ 4,590	\$ 4,901
Contributions in relation to the contractually required contribution	<u>(4,066)</u>	<u>(4,590)</u>	<u>(4,901)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 54,496	\$ 40,668	\$ 38,052
Contributions as a percentage of covered-employee payroll	7.46%	11.29%	12.88%

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - TPAF

Last Three Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0050558025%	0.0047887990%	0.00445986%
Charter School's proportionate share of the net pension liability (asset)	\$ 3,977,216	\$ 3,026,725	\$ 2,435,742
Charter School's covered-employee payroll	\$ 580,423	\$ 583,342	\$ 557,866
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	685.23%	518.86%	436.62%
Plan fiduciary net position as a percentage of the total pension liability	22.83%	28.71%	33.64%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART III

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III
YEAR ENDED JUNE 30, 2017**

Public Employees Retirement System (PERS)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 4.90% to 3.98% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 3.98% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.65% (7.90% in prior measurement date) and a municipal bond rate of 2.85% (3.80% in prior measurement date) 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.

Teachers Pension and Annuity Fund (TPAF)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 4.13% to 3.22% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 3.22% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.65% (7.90% in prior measurement date) and a municipal bond rate of 2.85% (3.80% in prior measurement date) 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.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2017

	Title I	Title II Part A	IDEA	Total
Revenues				
Local	\$ -	\$ -	\$ -	\$ -
Federal	66,014	-	31,784	97,798
Total revenues - all sources	<u>\$ 66,014</u>	<u>\$ -</u>	<u>\$ 31,784</u>	<u>\$ 97,798</u>
Expenditures				
Current Expenditures:				
Instruction:				
Salaries of teachers	\$ 57,000	\$ -	\$ 8,400	\$ 65,400
Employee benefits	6,240	-	2,184	8,424
Supplies and materials	2,774	-	21,200	23,974
Total instruction	<u>66,014</u>	<u>-</u>	<u>31,784</u>	<u>97,798</u>
Total expenditures	<u>\$ 66,014</u>	<u>\$ -</u>	<u>\$ 31,784</u>	<u>\$ 97,798</u>

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2017, there was no capital project fund.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

ENTERPRISE FUND

COMBINING SSCHEDULE OF NET POSITION

JUNE 30, 2017

	<u>FOOD SERVICE</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	-
	<u> </u>
Total Assets	<u>\$ -</u>
Liabilities	
Current liabilities	
Interfund payable - General fund	\$ -
	<u> </u>
Net assets	
Unrestricted	-
	<u> </u>
Total Liabilities and Net Position	<u>\$ -</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2017

	<u>FOOD SERVICE</u>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Miscellaneous revenue	-
Total Operating revenues	<u>-</u>
Operating expenses:	
Miscellaneous	<u>76</u>
Operating income (loss)	<u>(76)</u>
Nonoperating revenues:	
State sources:	
State School Lunch	-
Federal sources:	
National School Lunch	-
National School Breakfast	-
Special Milk Program for Children	-
After School Snacks	-
Total nonoperating revenues	<u>-</u>
Changes in net position	(76)
Total net position at beginning of year	<u>76</u>
Total net position at end of year	<u><u>\$ -</u></u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	FOOD SERVICE
	<u> </u>
Cash flows from operating activities	
Operating income	\$ (76)
Changes in assets and liabilities:	
Accounts receivable	-
Interfund payable	76
Intergovernmental payable	<u>-</u>
Net cash from operating activities	-
 Cash flows from noncapital financing activities	
Cash received from state and federal reimbursements	<u>-</u>
 Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of the year	<u>-</u>
 Cash and cash equivalents at end of year	<u><u>\$ -</u></u>

FIDUCIARY FUNDS

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2017 there was no non-expandable trust fund utilized by the Charter School.

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

Payroll Fund - This agency fund is used to account for the payroll transactions of the Charter School.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017

	New Jersey Unemployment Benefits	Agency		Total	
		Student Activities	Net Payroll		Payroll Agency
Assets					
Cash and cash equivalents	\$ -	\$ 20,100	\$ 10,742	\$ 2,252	\$ 33,094
Interfund receivable	-	-	-	2,497	2,497
Total assets	<u>\$ -</u>	<u>\$ 20,100</u>	<u>\$ 10,742</u>	<u>\$ 4,749</u>	<u>\$ 35,591</u>
Liabilities and fund balances					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ -	\$ 4,216	\$ 4,216
Due to student groups	-	7,113	-	-	7,113
Interfund payable	-	12,987	10,742	533	24,262
Total liabilities	<u>-</u>	<u>20,100</u>	<u>10,742</u>	<u>4,749</u>	<u>35,591</u>
Net Position					
Restricted					
Unemployment compensation	-	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ 20,100</u>	<u>\$ 10,742</u>	<u>\$ 4,749</u>	<u>\$ 35,591</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
(TRUST FUND)

YEAR ENDED JUNE 30, 2017

	New Jersey Unemployment Benefits
	<u> </u>
Revenues:	
General fund appropriation	\$ 5,650
Employees' contributions	<u> 2,201</u>
Total revenues	<u> 7,851</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u> 7,851</u>
Total expenditures	<u> 7,851</u>
Excess (deficiency) of revenue over expenditures	-
Net position at beginning of the year	<u> -</u>
Net position at end of year	<u><u> -</u></u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2017

	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Assets				
Cash and cash equivalents	\$ 12,428	\$ 44,868	\$ 37,196	\$ 20,100
Liabilities				
Due to Student Groups	\$ 7,752	\$ 26,567	\$ 27,206	\$ 7,113
Interfund accounts payable	4,676	18,301	9,990	12,987
	<u>\$ 12,428</u>	<u>\$ 44,868</u>	<u>\$ 37,196</u>	<u>\$ 20,100</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2017

	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Assets				
Cash and cash equivalents	\$ 2,261	\$ 251,118	\$ 251,127	\$ 2,252
Interfund receivables	<u>1,009</u>	<u>2,497</u>	<u>1,009</u>	<u>2,497</u>
Total Assets	<u>\$ 3,270</u>	<u>\$ 253,615</u>	<u>\$ 252,136</u>	<u>\$ 4,749</u>
Liabilities				
Payroll deductions and withholdings	\$ 3,270	\$ 253,082	\$ 252,136	\$ 4,216
Interfund payable	<u>-</u>	<u>533</u>	<u>-</u>	<u>533</u>
Total Liabilities	<u>\$ 3,270</u>	<u>\$ 253,615</u>	<u>\$ 252,136</u>	<u>\$ 4,749</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

**STATISTICAL SECTION
(UNAUDITED)**

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

INTRODUCTION TO THE STATISTICAL SECTION

<u>Contents</u>		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	77
Revenue Capacity	These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity	These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	81
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	83
Sources:	Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year.	

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**NET POSITION BY COMPONENT
Last Ten Fiscal Years**

(Accrual basis of accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 499,482	\$ 524,179	\$ 555,175	\$ 583,179	\$ 616,532	\$ 641,836	\$ 1,143,471	\$ 834,503	\$ 557,152	\$ 557,560
Restricted	-	-	5,000	-	600,000	600,000	-	-	-	-
Unrestricted	<u>1,724,057</u>	<u>1,760,352</u>	<u>1,720,639</u>	<u>1,596,578</u>	<u>1,077,609</u>	<u>825,702</u>	<u>673,979</u>	<u>683,355</u>	<u>699,849</u>	<u>368,476</u>
Total governmental activities net position	<u>\$ 2,223,539</u>	<u>\$ 2,284,531</u>	<u>\$ 2,280,814</u>	<u>\$ 2,179,757</u>	<u>\$ 2,294,141</u>	<u>\$ 2,067,538</u>	<u>\$ 1,817,450</u>	<u>\$ 1,517,858</u>	<u>\$ 1,257,001</u>	<u>\$ 926,036</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	<u>76</u>	-	-	-	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ -</u>						
Charter School-wide										
Invested in capital assets, net of related debt	\$ 499,482	\$ 524,179	\$ 555,175	\$ 583,179	\$ 616,532	\$ 641,836	\$ 1,143,471	\$ 834,503	\$ 557,152	\$ 557,560
Restricted	-	-	5,000	-	600,000	600,000	-	-	-	-
Unrestricted	<u>1,724,057</u>	<u>1,760,428</u>	<u>1,720,639</u>	<u>1,596,578</u>	<u>1,077,609</u>	<u>825,702</u>	<u>673,979</u>	<u>683,355</u>	<u>699,849</u>	<u>368,476</u>
Total charter school net position	<u>\$ 2,223,539</u>	<u>\$ 2,284,607</u>	<u>\$ 2,280,814</u>	<u>\$ 2,179,757</u>	<u>\$ 2,294,141</u>	<u>\$ 2,067,538</u>	<u>\$ 1,817,450</u>	<u>\$ 1,517,858</u>	<u>\$ 1,257,001</u>	<u>\$ 926,036</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
Instruction	\$ 970,303	870,500	692,203	649,044	520,890	492,455	464,100	483,743	421,460	324,877
Administrative	486,415	375,015	447,806	373,186	281,914	263,412	214,127	222,566	202,317	235,631
Support Services	208,463	221,090	54,982	55,621	173,709	166,202	190,302	155,083	151,922	152,662
Unallocated										
Capital Outlay	-	-	-	239,852	8,397	32,143	24,452	22,351	180,788	360,550
Depreciation	24,697	30,996	16,787	16,787	33,701	-	32,143	32,408	30,101	30,101
Total governmental activities expenses	1,689,878	1,497,601	1,211,778	1,334,490	1,018,611	954,212	925,124	916,151	986,588	1,103,821
Business-type activities:										
Food service	76	-	-	-	-	-	-	-	-	-
Total business-type activities expense	76	-	-	-	-	-	-	-	-	-
Total charter school expenses	1,689,954	1,497,601	1,211,778	1,334,490	1,018,611	954,212	925,124	916,151	986,588	1,103,821
Program Revenues										
Governmental activities:										
Charges for services:										
Operating grants and contributions	444,277	327,867	-	-	23,746	-	31,727	35,178	12,562	75,622
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	444,277	327,867	-	-	23,746	-	31,727	35,178	12,562	75,622
Business-type activities:										
Charges for services:										
Food service	-	76	-	-	-	-	-	-	-	-
Total business-type activities program revenues	-	76	-	-	-	-	-	-	-	-
Total charter school program revenues	444,277	327,943	-	-	23,746	-	31,727	35,178	12,562	75,622
Net (Expense)/Revenue										
Governmental activities	(1,245,601)	(1,169,734)	(1,211,778)	(1,334,490)	(994,865)	(954,212)	(893,397)	(880,973)	(974,026)	(1,028,199)
Business-type activities	(76)	76	-	-	-	-	-	-	-	-
Total charter school-wide net expense	(1,245,677)	(1,169,658)	(1,211,778)	(1,334,490)	(994,865)	(954,212)	(893,397)	(880,973)	(974,026)	(1,028,199)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	817,182	832,152	1,066,313	866,386	1,209,945	1,199,599	1,074,880	1,067,298	926,019	1,029,449
Grants and contributions	365,873	337,895	230,630	352,683	-	-	93,050	78,356	184,798	-
Increase in net capital outlay	-	-	-	-	8,397	-	22,767	15,914	172,391	353,375
Miscellaneous income	1,554	3,404	15,892	1,037	3,126	4,701	2,292	262	1,783	697
Total governmental activities	1,184,609	1,173,451	1,312,835	1,220,106	1,221,468	1,204,300	1,192,989	1,161,830	1,284,991	1,383,521
Total charter school-wide	1,184,609	1,173,451	1,312,835	1,220,106	1,221,468	1,204,300	1,192,989	1,161,830	1,284,991	1,383,521
Changes in Net Position										
Governmental activities	(60,992)	3,717	101,057	(114,384)	226,603	250,088	299,592	280,857	310,965	355,322
Business-type activities	(76)	76	-	-	-	-	-	-	-	-
Total charter school	\$ (61,068)	\$ 3,793	\$ 101,057	\$ (114,384)	\$ 226,603	\$ 250,088	\$ 299,592	\$ 280,857	\$ 310,965	\$ 355,322

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUND

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund										
Assigned	\$ 6,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	<u>1,777,156</u>	<u>1,801,755</u>	<u>1,744,005</u>	<u>1,596,578</u>	<u>1,077,609</u>	<u>825,702</u>	<u>1,143,471</u>	<u>834,503</u>	<u>557,152</u>	<u>368,476</u>
Total general fund	<u>\$ 1,783,156</u>	<u>\$ 1,801,755</u>	<u>\$ 1,749,005</u>	<u>\$ 1,596,578</u>	<u>\$ 1,077,609</u>	<u>\$ 825,702</u>	<u>\$ 1,143,471</u>	<u>\$ 834,503</u>	<u>\$ 557,152</u>	<u>\$ 368,476</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Last Ten Fiscal Years
(Unaudited)**

<u>Function</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues										
Local Sources:										
Local tax levy (local and state share)	\$ 1,174,510	\$ 1,157,853	\$ 1,066,313	\$ 866,386	\$ 915,511	\$ 854,582	\$ 1,074,880	\$ 1,091,198	\$ 808,042	\$ 898,050
Miscellaneous	1,554	3,404	15,892	1,037	3,126	4,701	2,292	262	1,783	59,526
State sources	176,448	148,561	201,927	330,310	294,434	345,017	93,050	54,456	302,775	131,399
Federal sources	97,798	47,171	28,703	22,373	23,746	-	31,727	35,178	12,562	16,833
Total Revenues	<u>1,450,310</u>	<u>1,356,989</u>	<u>1,312,835</u>	<u>1,220,106</u>	<u>1,236,817</u>	<u>1,204,300</u>	<u>1,201,949</u>	<u>1,181,094</u>	<u>1,125,162</u>	<u>1,105,808</u>
Current expense										
Instruction	623,717	587,347	540,159	541,024	520,890	492,455	432,373	448,565	408,898	324,877
Administrative cost	509,854	397,179	525,953	464,640	281,914	263,412	245,854	257,744	214,879	311,293
Support services	167,435	183,346	94,296	55,621	173,709	166,202	190,302	155,083	151,922	152,662
Capital outlay	-	-	-	239,852	8,397	-	24,452	22,351	180,788	360,550
TPAF - FICA Reimbursement	47,459	47,689	-	-	-	-	-	-	-	-
TPAF - On-behalf payments	120,444	88,678	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,468,909</u>	<u>1,304,239</u>	<u>1,160,408</u>	<u>1,301,137</u>	<u>984,910</u>	<u>922,069</u>	<u>892,981</u>	<u>883,743</u>	<u>956,487</u>	<u>1,149,382</u>
Net change in fund balances	\$ <u>(18,599)</u>	\$ <u>52,750</u>	\$ <u>152,427</u>	\$ <u>(81,031)</u>	\$ <u>251,907</u>	\$ <u>282,231</u>	\$ <u>308,968</u>	\$ <u>297,351</u>	\$ <u>168,675</u>	\$ <u>(43,574)</u>

Source: Charter School's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2017	**	**	**	**
2016	86,334	**	**	5.80%
2015	86,334	**	**	5.80%
2014	86,086	44,688	43,687	6.90%
2013	85,541	44,688	41,857	8.80%
2012	85,058	44,600	41,824	10.10%
2011	84,877	43,853	41,371	7.40%
2010	84,226	41,936	39,807	10.20%
2009	78,224	41,050	38,932	7.40%
2008	77,811	41,657	39,907	6.00%

** Data not available

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2017		2008	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

Information not available

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	11	11	10	10	10	10	10	9	9	9
Administrative	2	3	3	3	3	3	3	2	2	2
Support Services	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>15</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>13</u>	<u>11</u>	<u>11</u>	<u>11</u>

Source: Charter School's personnel records

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Middle School					
2017	118	\$ 1,371,111	\$ 11,620	7.22%	11	10.73:1		117.9	114.4	0.86%	97.00%
2016	116	1,257,068	10,837	11.08%	11	10.54:1		116.9	113.4	0.78%	97.00%
2015	116	1,131,705	9,756	7.99%	10	11.60:1		116.0	112.5	0.87%	97.00%
2014	115	1,038,912	9,034	7.33%	10	11.50:1		115.0	111.6	-1.71%	97.00%
2013	117	984,829	8,417	5.89%	10	11.70:1		117.0	113.7	0.86%	97.20%
2012	116	922,069	7,949	8.91%	10	11.60:1		116.0	112.5	-1.69%	97.00%
2011	118	861,254	7,299	-5.02%	10	11.80:1		118.0	114.5	2.61%	97.00%
2010	115	883,743	7,685	-21.53%	9	12.78:1		115.0	110.4	8.49%	96.00%
2009	106	1,038,033	9,793	-14.27%	9	11.78:1		106.0	101.8	12.77%	96.00%
2008	94	1,073,720	11,423	34.38%	9	10.44:1		94.0	91.2	0.00%	97.00%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

^a Operating expenditures equal total expenditures less debt service and capital outlay.

^b Teaching staff includes only full-time equivalents of certificated staff.

^c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Charter School Building</u>										
Square Feet	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Capacity (students)	120	120	120	120	120	120	120	120	120	120
Enrollment	116	116	116	115	117	116	118	115	108	104
Number of Schools at June 30, 2017										
Middle School = 1	1	1	1	1	1	1	1	1	1	1

Source: Charter School's records

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2017
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy ^a		
Commercial Property	\$ 1,327,500	\$ 1,000
Blanket Extra Expense	25,000,000	
Blanket Value Papers and Records	10,000,000	
Boiler and Machinery	100,000,000	5,000
General Liability	16,000,000	
Business Auto	16,000,000	1,000
School Board Legal Liability	11,000,000	5,000
Umbrella	11,000,000	
Workers Compensation	2,000,000	
EDP	650,000	
Surety Bond ^a		
School Board Legal Liability	1,000,000	
Public Official Bonds	105,000	
Workers Compensation ^a		
Employee Liability Limits		
Bodily Injury by Accident	2,000,000	Each Accident
Bodily Injury by Disease	2,000,000	Each Employee
Bodily Injury by Disease	2,000,000	Aggregate Limit
Bonds ^b		
Sandra Giordano (Lead Person)	105,000	
Bima Baje (Board Secretary)	105,000	
Student Accident ^c		
Basic	1,000,000	

Source: Charter School's Records

^a New Jersey Schools Insurance Group

^b Federal Insurance Co. (Chubb)

^c Zurich American (Bollinger)

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2015 Audit	2016 Audit	2017 Audit	Source
Cash	\$ 1,710,687	\$ 1,658,255	\$ 1,689,045	Audit: Exhibit A-1
Current Assets	76,215	1,847,319	1,844,721	Audit: Exhibit A-1
Total Assets	2,342,077	2,371,498	2,344,203	Audit: Exhibit A-1
Current Liabilities	37,897	45,488	61,565	Audit: Exhibit A-1
Total Liabilities	149,204	169,401	197,118	Audit: Exhibit A-1
Net Assets	2,280,814	2,284,607	2,223,539	Audit: Exhibit A-1
Total Revenue	1,312,835	1,501,394	1,628,886	Audit: Exhibit A-2
Total Expenses	1,211,778	1,497,601	1,689,954	Audit: Exhibit A-2
Change in Net Assets	101,057	3,793	(61,068)	Audit: Exhibit A-2
Depreciation Expense	28,004	30,996	24,697	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	116	116	118	DOE Enrollment Reports
March 30th Budgeted Enrollment	115	120	120	Charter School Budget

RATIO ANALYSIS					
Near Term Indicators	2015	2016	2017	3 YR CUM	Source:
1a. Current Ratio	15.70	14.00	11.89	26.00	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	515.28	404.16	364.80	419.65	Cash/(Total Expenses/365)
1c. Enrollment Variance	101%	97%	98%	0.99	Average Daily Enrollment/Budgeted Enrollment
1d. Default	N/A	N/A	N/A	N/A	Audit

SINGLE AUDIT SECTION

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

The Honorable President and
Members of the Board of Trustees
Classical Academy Charter School of Clifton
County of Passaic
Clifton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Classical Academy Charter School of Clifton (the Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

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

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

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 - CONTINUED

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material 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.

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* and audit requirements as prescribed by Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that we have reported to the Board of Trustees of the Classical Academy Charter School of Clifton in the County of Passaic, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated November 16, 2017.

Purpose of this Report

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



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

November 16, 2017
Cream Ridge, New Jersey

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)

EXHIBIT K-3
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017			
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education:															
Passed-through New Jersey State Department Education															
Special Revenue Fund:															
Title I Part A Grants to Local Educational Agencies	84.010	S010A160030	NCLB - 6230 - 17	\$ 66,014	7/1/2016	6/30/2017	\$ -	\$ -	\$ 66,014	\$ (66,014)	\$ -	\$ -	\$ -	\$ -	
Title I Part A Grants to Local Educational Agencies	84.010	S010A150030	NCLB - 6230 - 16	29,188	7/1/2015	6/30/2016	(29,188)	-	29,188	-	-	-	-	-	
Title I, Performance Grant Improving Teacher Quality State Grants (Title II Part A) SEA	84.010	S010A150030	NCLB - 6230 - 16	15,000	7/1/2015	6/30/2016	5,235	-	-	-	-	-	-	5,235	
Individuals with Disabilities - States Grant	84.367	S367B150027	NCLB - 6230 - 16	2,721	7/1/2015	6/30/2016	(2,271)	-	2,271	-	-	-	-	-	
	84.027	H027A160100	IDEA - 6230 - 17	31,784	7/1/2016	6/30/2017	-	-	20,919	(31,784)	-	(10,865)	-	-	
Total U.S. Department of Education							<u>\$ (26,224)</u>	<u>\$ -</u>	<u>\$ 118,392</u>	<u>\$ (97,798)</u>	<u>\$ -</u>	<u>\$ (10,865)</u>	<u>\$ -</u>	<u>\$ 5,235</u>	

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016			Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2017			MEMO		
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				Intergovernmental (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure	
New Jersey State Department of Education															
General Fund:															
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 162,653	\$ -	\$ -	\$ -	\$ 164,537	\$ (162,653)	\$ -	\$ -	\$ -	\$ 1,884	\$ -	\$ -	162,653
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	4,345	-	-	-	4,345	(4,345)	-	-	-	-	-	-	4,345
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	4,200	-	-	-	4,200	(4,200)	-	-	-	-	-	-	4,200
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	194,675	-	-	-	194,717	(194,675)	-	-	-	42	-	-	194,675
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	158,283	(3,113)	-	-	3,113	-	-	-	-	-	-	-	-
Reimbursed Social Security Tax	17-495-034-5094-003	7/1/16-6/30/17	47,459	-	-	-	42,746	(47,459)	-	(4,713)	-	-	-	-	47,459
Reimbursed Social Security Tax	16-495-034-5120-078	7/1/15-6/30/16	47,689	(11,161)	-	-	11,161	-	-	-	-	-	-	-	-
On-Behalf Teachers' Pension and Annuity Fund	17-495-034-5094-002	7/1/16-6/30/17	65,598	-	-	-	65,598	(65,598)	-	-	-	-	-	-	65,598
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	17-495-034-5094-001	7/1/16-6/30/17	54,658	-	-	-	54,658	(54,658)	-	-	-	-	-	-	54,658
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	188	-	-	-	188	(188)	-	-	-	-	-	-	188
Total General Fund				<u>(14,274)</u>	<u>-</u>	<u>-</u>	<u>545,263</u>	<u>(533,776)</u>	<u>-</u>	<u>(4,713)</u>	<u>-</u>	<u>1,926</u>	<u>-</u>	<u>-</u>	<u>533,776</u>
Total Expenditures of State Financial Assistance				<u>\$ (14,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,263</u>	<u>(533,776)</u>	<u>\$ -</u>	<u>\$ (4,713)</u>	<u>\$ -</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>533,776</u>
Less: On-Behalf TPAF Pension System Contributions															
On-Behalf Teachers' Pension and Annuity Fund	17-495-034-5094-002							65,598							
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	17-495-034-5094-001							54,658							
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance	17-495-034-5094-004							188							
								120,444							
Total for State Financial Assistance-Major Program Determination								<u>\$ (413,332)</u>							

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE**

FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary 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 revenues, whereas the GAAP basis does not. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
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**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE - CONTINUED**

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 413,332	\$ 413,332
Special Revenue Fund	97,798	-	97,798
Total	<u>\$ 97,798</u>	<u>\$ 413,332</u>	<u>\$ 511,130</u>

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents reimbursements in the amount of \$47,459 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017. The State had also made on-behalf TPAF payments for pension contributions, post-retirement medical benefits and long-term disability insurance contributions totaling \$120,444.

NOTE 6 SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the Charter School.

Title I, Part A: Grants to Local Education Agencies	\$ 66,014
Title II, Part A: Teacher and Principal Training and Recruiting	<u>-</u>
Total	<u>\$ 66,014</u>

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**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE - CONTINUED**

NOTE 7 ON BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF pension, post-retirement medical benefits and long-term disability insurance contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's financial statements and the amount subject to State single audit and major program determination.

NOTE 8 DE MINIMIS INDIRECT COST

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statement Section

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes None reported

Significant deficiency(ies) identified not considered to be material weaknesses?

_____ Yes No

Noncompliance material to financial statements noted?

_____ Yes No

Federal Awards (Not Applicable)

Dollar threshold used to determine Type A and B programs:

N/A

Internal control over compliance on major programs:

Material weakness(es) identified?

_____ Yes _____ No

Significant deficiency(ies) identified not considered to be material weakness(es)?

_____ Yes _____ No

Type of auditors' report on compliance for major programs:

N/A

Auditee qualified as low-risk auditee?

_____ Yes _____ No

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

_____ Yes _____ No

Identification of Major Programs:

 CFDA No.

 Name of Federal Program

No major programs identified.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

None

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON CHARTER SCHOOL
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION III STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Findings

None

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
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**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS
PREPARED BY MANAGEMENT**

FISCAL YEAR ENDED JUNE 30, 2017

There was no prior year finding.