

***PACE CHARTER SCHOOL  
OF HAMILTON***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2017***

***PACE CHARTER SCHOOL***

***OF***

***HAMILTON***

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

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

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

***Prepared by***

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

***And***

***Barre & Company LLC, CPAs***

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

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

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

























































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

NOTE 7: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

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

Discount Rate

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

















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

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

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

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

**Pension Plan Fiduciary Net Position – TPAF**

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

**C. Defined Contribution Retirement Program (DCRP)**

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

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



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

**NOTE 7: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (DCRP) (Continued)**

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

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

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

**NOTE 8: POST-RETIREMENT BENEFITS**

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

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

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

**NOTE 9: RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**NOTE 10: FUND BALANCE APPROPRIATED**

**General Fund**

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

**NOTE 11: RELATED PARTY TRANSACTIONS**

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

**NOTE 12: SUBSEQUENT EVENTS**

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

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULES***

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

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

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

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

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

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

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

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

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***



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

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

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

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

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

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

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

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

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

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

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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



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

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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

***OTHER SUPPLEMENTARY INFORMATION***

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

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

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

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

**SECTION G – PROPRIETARY FUND  
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUND  
DETAIL STATEMENTS**

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

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

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

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

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

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

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

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

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

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



**STATISTICAL SECTION  
(UNAUDITED)**

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

**Contents**

**Financial Trends**

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

**Revenue Capacity (Not Applicable to Charter School)**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

***FINANCIAL TRENDS***

**PACE CHARTER SCHOOL OF HAMILTON**

Net Assets/Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

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

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

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

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

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

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

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

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

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

Source: Charter School's Records



***OPERATING INFORMATION***

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

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

**PACE CHARTER SCHOOL OF HAMILTON**  
Operating Statistics  
Last Ten Fiscal Years

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

**Sources:** Charter School records

**Note:** Enrollment based on annual final Charter School count.

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

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

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

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

Source: Charter School's Records

**PACE CHARTER SCHOOL OF HAMILTON**

Insurance Schedule

June 30, 2017

(Unaudited)

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

Source: Charter School's Records

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

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

RATIOS ANALYSIS...					Changes
Near Term Indicators	2013	2014	2015	3 YR CUM	Source:
1a. Current Ratio	1.89	3.93	4.46		Current Assets/Current Liabilities
1b. Unrestricted Days Cash	49.31	60.33	44.57		Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	98%		Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A		Audit
<b>Sustainability Indicators</b>					
2a. Total Margin	1%	2%	-9%		Change in Net Assets/Total Revenue
2b. Debt to Asset	0.44	0.16	2.34		Total Liabilities/Total Assets
2c.** Cash Flow	(201,094)	156,406	(87,017)	(131,705)	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)
					Target
					> 1.1
					30-60
					>95%
					not in default
					positive
					<.9
					3 yr cum positive
					>1.10

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

\*\* 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash; 2015 = 2015 Cash - 2014 Cash

Refer questions to [charterfinance@doe.state.nj.us](mailto:charterfinance@doe.state.nj.us)

***SINGLE AUDIT SECTION***

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

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

**INDEPENDENT AUDITOR’S REPORT**

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

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

**Internal Control over Financial Reporting**

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

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



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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in the accompanying Schedule of Financial Statement Findings as item #2017-001.

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

### **Pace Charter School of Hamilton 's Response to Findings**

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

**Purpose of This Report**

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



Barre & Company LLC, CPA's  
Union New Jersey



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

November 10, 2017

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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

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

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

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

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

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

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

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

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

### ***Other Matters***

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

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

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

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

***Purpose of this Report***

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



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



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

November 10, 2017

**PACE CHARTER SCHOOL OF HAMILTON**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	FAN	Grant or Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2016	Carryover/(Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2017 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education</b>														
Special Revenue Fund:														
No Child Left Behind Cluster:														
84.010A	S010A150030		NCLB - 7500 - 17	\$ 153,345	9/1/16	8/31/17	\$ -	\$ 153,345	\$ (153,345)		\$ -	\$ -	\$ -	
84.367A	S367A150029		NCLB - 7500 - 17	5,585	9/1/16	8/31/17	-	5,585	(5,585)		-	(5,585)	-	
			Total No Child Left Behind Cluster	158,930			-	158,930	(158,930)		-	-	-	
Individuals with Disabilities Cluster:														
84.027	H027A150100		IDEA - 7500 - 17	48,159	9/1/16	8/31/17	-	48,159	(48,159)		-	-	-	
			Total Individuals with Disabilities Cluster	48,159			-	48,159	(48,159)		-	-	-	
Other Special Revenue Funds:														
84.412			N/A	74,277	9/1/15	8/31/16	(74,277)	74,277	-		-	-	-	
			Total Other Special Revenue Funds	74,277			(74,277)	74,277	-		-	-	-	
			Total Special Revenue Fund	281,366			(74,277)	281,366	(207,089)		-	-	-	
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Agriculture</b>														
Enterprise Fund:														
10.553	16161NJ304N1089		N/A	44,762	7/1/16	6/30/17	-	42,630	(44,762)		-	(2,132)	-	
10.553	16161NJ304N1089		N/A	36,673	7/1/16	6/30/17	(2,051)	48,051	-		-	-	-	
10.553	16161NJ304N1089		N/A	24,575	7/1/16	6/30/17	(4,410)	48,410	(93,570)		-	(4,800)	-	
10.553	16161NJ304N1089		N/A	74,755	7/1/15	6/30/16	(6,481)	137,861	(138,332)		-	(6,932)	-	
			Total Enterprise Fund	180,765			(13,022)	376,952	(386,664)		-	(13,864)	-	
			Sub-Total Federal Financial Awards	419,227			(80,738)	419,227	(345,421)		-	(6,932)	\$ -	

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

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

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2017		Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
			From	To						Deferred Revenue (Accounts Receivable)	Deferred Revenue/ Interfund Payable				
<b>State Department of Education</b>															
<i>General Fund:</i>															
<i>State Aid - Public Cluster</i>															
Equalization Aid	17-495-034-5120-078	2,046,337	7/1/16	6/30/17	-	-	2,041,373	(2,041,373)	-	-	-	-	4,864	2,041,373	
Equalization Aid	16-495-034-5120-078	2,303,422	7/1/15	6/30/16	-	-	4,964	(4,964)	-	-	-	-	-	4,964	
Special Education Aid	17-495-034-5120-089	14,458	7/1/16	6/30/17	-	-	14,458	(14,458)	-	-	-	-	-	14,458	
Security Aid	17-495-034-5120-084	61,714	7/1/16	6/30/17	-	-	61,714	(61,714)	-	-	-	-	-	61,714	
Adjustment Aid	17-495-034-5120-085	192,976	7/1/16	6/30/17	-	-	192,976	(192,976)	-	-	-	-	-	192,976	
Total State Aid - Public Cluster							2,315,465	(2,315,465)	-	-	-	-	-	4,964	2,315,465
On-Behalf Post-Retirement Medical Contributions	17-495-034-5095-001	113,976	7/1/16	6/30/17	-	-	113,976	(113,976)	-	-	-	-	-	113,976	
On-Behalf TPAF Pension Contributions	17-495-034-5095-006	136,789	7/1/16	6/30/17	-	-	136,789	(136,789)	-	-	-	-	-	136,789	
On-Behalf TPAF Long Term Disability Insurance Contributions	17-495-034-5095-004	1,131	7/1/16	6/30/17	-	-	1,131	(1,131)	-	-	-	-	-	1,131	
Reimbursed TPAF - Social Security	17-495-034-5095-002	104,161	7/1/16	6/30/17	-	-	104,161	(104,161)	-	-	-	-	-	104,161	
Reimbursed TPAF - Social Security	16-495-034-5095-002	4,874	7/1/15	6/30/16	-	-	4,874	(4,874)	-	-	-	-	-	4,874	
Total General Fund							2,676,416	(2,676,416)	-	-	-	-	4,864	2,676,416	
<b>State Department of Agriculture</b>															
<i>Enterprise Fund:</i>															
National School Lunch Program (State Share)	17-100-010-3350-023	1,757	7/1/16	6/30/17	-	-	1,672	(1,757)	-	-	-	-	85	1,757	
National School Lunch Program (State Share)	16-100-010-3350-023	1,563	7/1/15	6/30/16	-	-	86	-	-	-	-	-	-	86	
Total Enterprise Fund							1,758	(1,757)	-	-	-	-	85	1,757	
Total State Financial Assistance							2,678,174	(2,678,173)	-	-	-	-	5,049	2,678,173	
<b>State Financial Assistance Not to Subject to Major Program Determination:</b>															
<i>General Fund:</i>															
On-Behalf Post-Retirement Medical Contributions	17-495-034-5095-001	113,976	7/1/16	6/30/17	-	-	(113,976)	113,976	-	-	-	-	-	113,976	
TPAF Post-Retirement Medical Contributions	16-495-034-5095-001	-	7/1/15	6/30/16	-	-	-	-	-	-	-	-	-	-	
On-Behalf TPAF Pension Contributions	17-495-034-5095-006	136,789	7/1/16	6/30/17	-	-	(136,789)	136,789	-	-	-	-	-	136,789	
On-Behalf TPAF Long Term Disability Insurance Contributions	17-495-034-5095-004	1,131	7/1/16	6/30/17	-	-	(1,131)	1,131	-	-	-	-	-	1,131	
Total On-Behalf TPAF Payments							(251,896)	251,896	-	-	-	-	-	251,896	
Total State Financial Assistance Subject to Major Program Determination							2,426,278	(2,426,277)	-	-	-	-	5,049	2,830,069	

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



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

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

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

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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

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

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING**

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

**NOTE 6. OTHER INFORMATION**

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

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

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

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

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?  Yes  No

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

Noncompliance material to basic financial statements noted?  Yes  No

**State Awards Section**

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

Auditee qualified as low-risk auditee?  Yes  No

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

Internal control over major programs:

1) Material weakness(es) identified?  Yes  No

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

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

Identification of major state programs:

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

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

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***Section II – Schedule of Financial Statement Findings***

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

**Finding**

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

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

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

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

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

**Questioned Costs:** None

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

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

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

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

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

**STATE AWARDS**

**Findings**

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

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

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

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

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

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

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

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

**PACE CHARTER SCHOOL OF HAMILTON**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2017**

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**STATUS OF PRIOR YEAR FINDINGS**

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

**Findings**

There were no prior year findings reported.