

Princeton Charter School  
Grades K-8  
Princeton, NJ 08540  
(Established 1997)

Princeton Charter School Board of Trustees

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016

Inspire, Challenge, Support, Accomplish

**Comprehensive Annual Financial Report**  
**of the**  
**PRINCETON CHARTER SCHOOL**  
**Princeton, New Jersey**  
**For the Fiscal Year Ended June 30, 2016**

**Prepared by**  
**PRINCETON CHARTER SCHOOL**  
**Board of Trustees**

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# Princeton Charter School

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

December 1, 2016

Honorable President,  
Members of the Board of Trustees,  
and Constituents  
Princeton Charter School  
Princeton, New Jersey, 08540

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report (“CAFR”) of Princeton Charter School (the “School” or “PCS”) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the “Board”). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School’s financial activities have been included.

The CAFR is presented in three (3) sections: Introductory, Financial, and Statistical. The Introductory section includes the transmittal letter (designed to complement Management’s Discussion and Analysis and should be read in conjunction with it), the School’s organizational chart, a roster of officials, and a list of consultants and advisors. The Financial section includes the Independent Auditors’ Report, Management’s Discussion and Analysis (immediately following the independent auditors’ report) and the basic financial statements, required supplementary information and other supplementary information, as well as the auditors’ report therein. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited.

## **1. Profile of Princeton Charter School**

Princeton Charter School is a K-8 independent public school, operated by a Board of Trustees under a charter granted by the Commissioner of Education of the State of New Jersey. PCS opened in 1997 as a fourth grade through sixth grade elementary school. The School currently operates a kindergarten through eighth grade school with a diverse student population of 348 students and over 40 staff members. Princeton Charter School’s charter was renewed in February of 2016 for a five-year term; this was PCS’s fourth renewal. The Acting Commissioner, in granting PCS’s renewal, praised PCS for its academic accomplishments and student success. PCS’s next renewal application process will take place in the 2020-2021 school year.

There are three (3) school buildings on PCS’s campus, all of which are in good shape. The buildings are as follows: K-4 building (lower school) built in 2003, 5-8 building (upper school) built in 1963 and renovated into a school building in 1998, and the campus center, built in 2010, which houses a gym,

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3 classrooms and a black box theatre. There is also a business office, known as the Marsee Center, located on PCS's campus.

## **2. Reporting Entity and Its Services**

Princeton Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB"). All funds and the school-wide financial statements of Princeton Charter School are included in this report. Princeton Charter School constitutes the School's reporting entity.

The School provides a full range of educational services appropriate to grades K through 8. These services include regular education as well as special education for students with special needs. The School completed the 2015-2016 fiscal year with an average daily enrollment of 348 students, which is an all-time high. The following chart details the changes in average daily enrollment for the School over the past six years:

Fiscal Year	Student Enrollment	Percent of Change
2015-2016	348	0.30%
2014-2015	347	1.01%
2013-2014	344	0.00%
2012-2013	344	0.00%
2011-2012	344	0.00%
2010-2011	344	0.00%

## **3. Enrollment Plan**

The PCS charter states: "Princeton Charter School will seek a diverse student body and offer those students both excellence and equity in education." To meet this goal, PCS has an extensive recruitment program consisting of mailings to parents, open houses at the school, outreach to local nursery schools, advertisements in local newspapers and on community bulletin boards, and availability of applications and information at community sites and on the PCS web site.

Lottery: The dates and application information is posted on our website in English and in Spanish, and listed in advertisements in local papers. All students who are residents of Princeton and of school age, wishing to enroll at Princeton Charter School are assigned a number and entered into the lottery. Numbers are randomly selected and students are assigned a space if it is available. If no spaces are available, they are assigned a space in the order drawn on the wait list. Siblings of older students are given preference if a space is available or placed on the wait list.

## **4. Enrollment Outlook**

Princeton Charter School has completed its nineteenth year of operation. The School's charter allows for 348 total students and there is currently no plan for enrollment expansion. PCS held its annual random lottery, as required by the New Jersey Department of Education, on January 13, 2015. For the 2015-2016 school year PCS received 267 student applicants which came from a diverse background within the Princeton community. In 2015-2016 PCS welcomed 70 new students, including 19 kindergartners and 24 third-graders. Student turnaround has been minimal averaging four (4) per year who left PCS mainly because of parent relocation or parent sabbaticals. PCS maintains an extensive wait list, to replace students who may leave PCS. As of June 30, 2016 there are 80 students on the wait list at various grade levels.

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## **5. Economic Condition and Outlook**

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

### Major Initiatives

The Strategic Plan, which was developed during the 2012-2013 school year, continued to drive the planning and implementation of a variety of programs, primarily addressing technology, clubs, and the school arts program.

Growth in our use of technology continues to be a main focal point for us. The School added more Chromebook devices and also invested in professional development for staff on the instructional uses of technology. These student devices were used again for the state testing for all students in grades 3-8. In addition, we have been actively replacing classroom projectors that failed in 2015-16.

The School continually balances the various needs of the School with the available resources to accomplish our goals given the flat per-pupil funding that we have experienced since 2008.

### Academic Performance

Princeton Charter School assesses its performance on the NJASK tests and in the second year of PARCC testing results in mathematics and language arts that continue to be excellent. Based on past history, we continue to be satisfied with our overall school performance in language arts and mathematics. We are designated as a Tier 1 school (highest) earning that rank for all three years that the Tier Ranking System has been in place. The NJ DOE School report Card indicates that based on our Median Student Growth Percentile scores, Princeton Charter School students are experiencing truly outstanding growth at all levels. Our mSGP for Math places us at the 100 percentile of our Peer Group and 99 percentile in the state for rate of growth of all students. Our Growth in Language Arts places us at the 94 percentile for our peer groups and 89th percentile for the State of New Jersey. Combined, these scores place us at the 97th percentile and the 94th percentile for peer and statewide comparisons, i.e. we are outperforming 94% of the schools in the state of NJ and 97% of the schools in our peer group in terms of the rate of student growth. MSGP compares the growth of students based on their historical testing profile against similar students on standardized test. This measure does not gauge only the high performers but all students' growth. We are extremely proud of our students and teachers in accomplishing these remarkable growth indicators.

### Charter Renewal

Last year we submitted our Charter Renewal application and we were renewed for the next five years demonstrating the ongoing success of the School and the fulfillment of its mission. In order to be renewed the School needed to meet the standards outlined in the NJDOE Charter School Performance Framework.



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Members of the Board of Trustees,  
and Constituents  
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**6. Educational Program**

All charter schools are required to adapt and implement their curriculum to align with the Common Core State Standards.

Princeton Charter School continues to work to ensure that its curriculum is aligned to the Common Core State Standards. Over the past four years, the faculty and administration have met in departmental small learning communities (“SLCs”) in order to map and align the curriculum to the Common Core. We will continue this work in our design of learning activities and assessments that promote the higher order thinking that is expected in the Common Core.

Princeton Charter School is committed to a thorough and rigorous education that emphasizes mastery of subject area content. Students develop their skills in writing and reasoning in language arts, mathematics, history and science while also learning content knowledge across all of these subjects. In addition, Princeton Charter School is committed to having all students learn to speak a second language. Instruction in French and Spanish begins early: kindergarten for French and third grade for Spanish. Instruction in world language also meets frequently, 5 times a week for 45 minutes starting in first grade for French and third grade for Spanish. As a result of this commitment to world language acquisition, our performance on the National French exam and the National Spanish exam has been consistently outstanding.

Princeton Charter also has many after school clubs and programs that enhance the curriculum of the School.

**7. Internal Accounting Controls**

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

As a recipient of Federal and State awards, the School is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the School’s management.

**8. Budgetary Controls**

In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. The New Jersey Department of Education defines the budget criteria which is a program budget. The program budget is comprised of (1) equalization aid, (2) special education categorical aid, (3) security aid, and (4) state adjustment aid.

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The School Funding Reform Act of 2008 states that the school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the school district of residence's previous year tax levy adjusted by the most recent CPI. Equalization aid is calculated on a weighted per-pupil basis on the appropriate portion of the tax levy base. Special education categorical aid, which is comprised of both speech and special education aid, is calculated based on the actual number of charter school speech and special education students as percentage of the school district of residence's total number of students on the appropriate portion of the tax levy for speech and special education.

The New Jersey Department of Education requires charter schools to submit an annual budget to the Office of Charter School Finance by March 30th of each year, for the following school year, based on the above funding guidelines. The components of this annual budget are the financial report, otherwise known as the Line 108 report, a cash flow statement and a budget narrative. The budget must be approved by the Board of Trustees, prior to submission. Annual appropriated budgets are adopted for the general fund and special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the Financial section. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as School expenditures. These amounts are offset by related revenues and, as such, do not represent over-expenditures in this budget.

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.

#### **9. Accounting Systems and Reports**

The School's accounting records reflect GAAP, as promulgated by GASB. The accounting system of the School is organized on the basis of governmental funds and business-type activities. These funds are explained in "Notes to Financial Statements," Note 1.

#### **10. Relevant Financial Policies**

The School's fiscal management is guided by Board of Trustee-adopted financial policies that are known as "Business and Non-Instructional Operations." The School has a policy, contained within this group that outlines the fiscal management and internal controls of the School. The Princeton Charter School Board of Trustees recognizes that its success as an educational institution will depend on sound financial planning and management and implements this within the best possible school budget. Financial resources are allocated to support a strong instructional school program, along with supporting the School's education mission. There is also a required Standard Operating Procedure manual, which details how financial tasks are to be completed. The Budget, Planning, Preparation and Adoption Policy (Board Policy #3100) outlines the budget process and how the School's budget must be in accord with statutory and regulatory mandates of the Federal government, the State legislature, the State board of education, and the Board of Trustees. These are also many other relevant financial policies that outline purchasing practices, vendor relations, audit procedures, school activity fund management and operations of maintenance and plant. To obtain a copy of these policies, please contact the School Business Administrator/Board Secretary.

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**11. Other Information**

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of WithumSmith+Brown, PC was selected by the Board of Trustees to perform auditing services at its annual organization meeting. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information are included in the financial section of this report.

**12. Acknowledgements**

We would like to express our appreciation to the members of the Board of Trustees of Princeton Charter School for their commitment to provide fiscal accountability to the citizens and taxpayers of the participating districts of the School and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

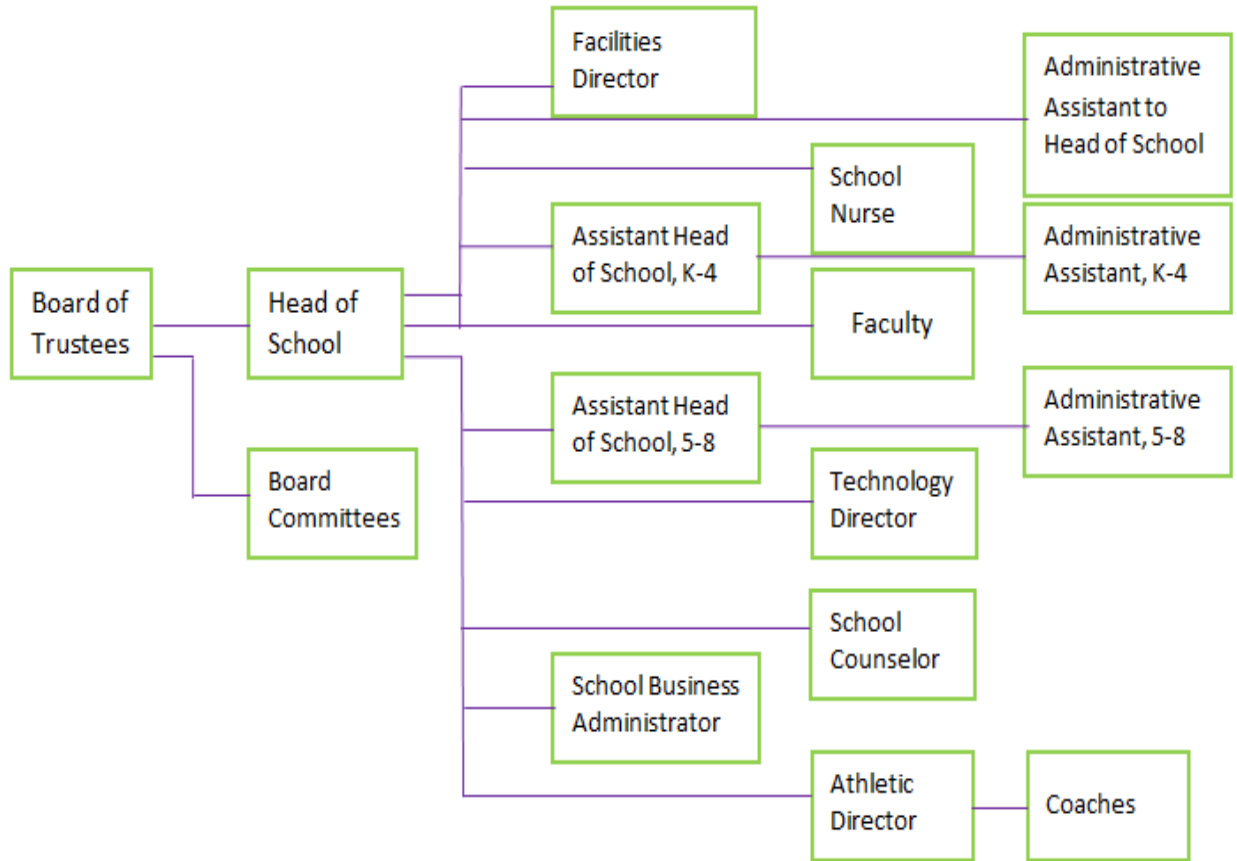
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Lawrence D. Patton  
Head of School

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Robert Long  
School Business Administrator / Board Secretary

# Princeton Charter School



**PRINCETON CHARTER SCHOOL**  
**Roster of Officials**  
**June 30, 2016**

<b><u>Members of the Board of Trustees</u></b>	<b><u>Term Expires</u></b>
Paul Josephson, Chairperson	June 30, 2017
Amanda Rose, Vice Chairperson	June 30, 2017
Shannon Daley-Harris, Secretary	June 30, 2016
Khalid Anwar, Treasurer	June 30, 2018
Brandice Canes-Wrone	June 30, 2017
Randy Hubert	June 30, 2018
Kinga Kaminska	June 30, 2016
Trusha Shah	June 30, 2016
Maryellen McQuade	June 30, 2018

**Other Officers**

Lawrence D. Patton, Head of School

Robert Long, School Business Administrator / Board Secretary

**PRINCETON CHARTER SCHOOL  
Consultants, Independent Auditors, and Advisors**

**Independent Auditors**

WithumSmith+Brown, PC  
One Spring Street  
New Brunswick, NJ 08901

**Attorney**

Apruzzese, McDermott, Mastro & Murphy, PC  
Somerset Hills Corporate Center  
25 Independence Blvd.  
Warren, NJ 07059

**Official Depository**

Peapack Gladstone Bank  
300 Carnegie Center  
Princeton, NJ 08540

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

The Honorable Chairperson and Members  
of the Board of Trustees  
Princeton Charter School  
Princeton, 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 Princeton Charter School (the "School") as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to previously 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 Princeton Charter School as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principle generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules and pension schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Princeton Charter School's basic financial statements. The introductory section, combining and individual non-major fund financial statements, statistical section, schedule of expenditures of federal awards, schedule of expenditures of state awards, schedule of findings and questioned costs, and summary schedule of prior audit findings are presented for purposes of additional analysis and are not a required part of the basic financial statements of Princeton Charter School.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of Princeton Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Princeton Charter School's internal control over financial reporting and compliance.

December 1, 2016  
New Brunswick, NJ

WithumSmith+Brown, PC



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James J. Decker  
Licensed Public School Accountant #2502  
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Princeton Charter School Management's Discussion and Analysis Year Ended June 30, 2016

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This section of Princeton Charter School's annual report presents its discussion and analysis of the School's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the School's financial statements, which immediately follow this section.

## Financial Highlights

- The assets and deferred outflows of resources of Princeton Charter School exceeded its liabilities and deferred inflows at June 30, 2016 by \$4,053,281 (net position). Of this amount \$456,281 represents unrestricted net position, which may be used to meet the School's ongoing future major initiatives.
- At the current fiscal year, unrestricted governmental fund balance was \$450,774 or approximately 7.60% of total general fund expenditures.
- Princeton Charter School's per pupil funding amount is \$15,339 per student, which is the same as prior years. The School's per pupil funding comes from two sources, the District of Residence and the State of New Jersey.
- Enrollment in the School was at its maximum capacity of 348 for both 2016 and 2015.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) charter school-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required supplementary and other supplementary information in addition to the basic financial statements themselves.

**Charter School-Wide Financial Statements:** The charter school-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all the assets, deferred inflows / outflows and liabilities of the School, with the differences reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the School changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the charter school-wide financial statements distinguish functions of the School that are principally supported by both equalization aid/local levy and state government revenues from other functions that are intended to recover all or a significant portion of their costs through fees and charges (business-type activities). The governmental activities of the School are the public resources used to operate a public charter school. The business-type activities of the School include a food service program (school lunch program) an after school program and many after school club activities.

The charter school-wide financial statements can be found on pages 19-20 of this report.

**Fund Financial Statements:** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the charter school-wide financial statements. However, unlike the charter school-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the charter school's near-term financing requirements.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2016**

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Because the focus of governmental funds is narrower than that of the charter school-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the charter school-wide financial statements. By doing so, readers may better understand the long-term impact of the charter school's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and special revenue fund all of which are considered to be major funds.

The School adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21-23 of this report.

*Proprietary funds:* The School maintains one proprietary fund type. Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the charter school-wide financial statements. The School uses an enterprise fund to account for the operations of its food service, after-school activities, summer camps, and after-school clubs.

The basic enterprise fund financial statements can be found on pages 24-26 of this report.

*Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the charter school-wide financial statements because the resources of those funds are not available to support the School's own programs. The School uses trust funds to account for the activity of the unemployment compensation trust fund. The School uses agency funds to account for resources held for student activities and groups, and payroll-related liabilities.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

**Notes to the Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the charter school-wide and fund financial statements. The notes to the basic financial statements can be found on pages 29-49 of this report.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2016**

**Charter School-Wide Financial Analysis:** As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of Princeton Charter School, assets and deferred outflows exceeded liabilities by \$4,053,281 (reported as total net position) at the close of 2016. The following table provides a summary of net position relating to the School's governmental and business-type activities at June 30, 2016 and 2015:

	Net Position					
	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 606,860	\$ 22,865	\$ 629,725	\$ 369,067	\$ 10,411	\$ 379,478
Capital assets (net)	11,155,247	14,027	11,169,274	11,681,810	15,285	11,697,095
Total assets	11,762,107	36,892	11,798,999	12,050,877	25,696	12,076,573
Deferred Outflow of Resources	1,470,873	--	1,470,873	847,475	--	847,475
Non-current liabilities	9,015,726	--	9,015,726	8,490,813	--	8,490,813
Other liabilities	172,349	17,358	189,707	106,097	8,650	114,747
Total liabilities	9,188,075	17,358	9,205,433	8,596,910	8,650	8,605,560
Deferred Inflow of Resources	11,158	--	11,158	33,398	--	33,398
Net position						
Invested in capital assets	3,582,973	14,027	3,597,000	3,925,810	15,285	3,941,095
Unrestricted	450,774	5,507	456,281	342,234	1,761	343,995
Total net position	\$ 4,033,747	\$ 19,534	\$ 4,053,281	\$ 4,268,044	\$ 17,046	\$ 4,285,090

The largest portion of the School's net position is its net investment in capital assets. Restricted net position includes those (if any) that are subject to external restriction (e.g. capital projects). The School does not have any restricted net position.

Current and other assets increased primarily due to the results of operations. Long-term liabilities increased due to an increase in the net pension liability and the interest rate swap liability less a reduction of the School's loan due to principal repayments.

Capital assets (net) decreased from prior year due to new additions to the School's capital expenditures offset by current year related depreciation, which exceeded capital asset additions.

The total net position of the School during the current fiscal year decreased by \$231,809. The majority of this decrease is attributed to general fund operations which generated an excess of expenses (including depreciation) over revenues.

There was no substantial change in business-type activity assets, liabilities, and net position for the year ended June 30, 2016.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2016**

**Charter School-Wide Activities:** The key elements of the School's activities for the years ended June 30, 2016 and 2015 are as follows:

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenue:</b>						
Operating grants and contributions	\$ 1,359,703	\$ 7,358	\$ 1,367,061	\$ 1,132,893	\$ 19,075	\$ 1,151,968
<b>General revenues:</b>						
Equalization/Local Levy Aid-Local Share	4,792,581	--	4,792,581	4,819,869	--	4,819,869
State sources	499,827	--	499,827	457,516	--	457,516
Grants and contributions not restricted to specific programs	50,000	--	50,000	50,000	--	50,000
Miscellaneous	97,872	--	97,872	48,977	--	48,977
<b>Program Revenue:</b>						
Food services	--	77,294	77,294	--	76,947	76,947
Chess after school program	--	12,583	12,583	--	8,551	8,551
After school program	--	76,590	76,590	--	64,092	64,092
After school clubs	--	11,774	11,774	--	4,502	4,502
<b>Total revenue</b>	<b>6,799,983</b>	<b>185,599</b>	<b>6,985,582</b>	<b>6,509,255</b>	<b>173,167</b>	<b>6,682,422</b>
<b>Expenses:</b>						
Instruction	3,953,523	--	3,953,523	3,618,617	--	3,618,617
Student and instruction related services	329,174	--	329,174	560,201	--	560,201
School administrative services	1,306,584	--	1,306,584	1,228,372	--	1,228,372
Plant operations and maintenance	674,854	--	674,854	695,803	--	695,803
Pupil transportation	11,958	--	11,958	12,446	--	12,446
Interest on mortgage debt	260,692	--	260,692	313,193	--	313,193
Debt issuance costs	--	--	--	92,141	--	92,141
Unallocated depreciaton (not allocated elsewhere)	497,495	--	497,495	496,953	--	496,953
Food service	--	93,933	93,933	--	94,412	94,412
Chess program	--	15,900	15,900	--	13,686	13,686
After school program	--	47,360	47,360	--	52,842	52,842
After school clubs	--	25,918	25,918	--	18,544	18,544
<b>Total expenses</b>	<b>7,034,280</b>	<b>183,111</b>	<b>7,217,391</b>	<b>7,017,726</b>	<b>179,484</b>	<b>7,197,210</b>
(Decrease) increase in net position	(234,297)	2,488	(231,809)	(508,471)	(6,317)	(514,788)
Net position - beginning of year	4,268,044	17,046	4,285,090	4,776,515	23,363	4,799,878
Net position - end of year	\$ 4,033,747	\$ 19,534	\$ 4,053,281	\$ 4,268,044	\$ 17,046	\$ 4,285,090

The increase in governmental operating grants and contributions is a result of the allocated TPAF pension contributions made by the State of New Jersey on-behalf of the School during the 2015-2016 school year including additional TPAF pension revenue of \$572,862 recorded as a result of GASB 68.

The decrease in equalization aid is due to the decrease in the levy that flows into the School from the district of residence during the current year. The School received an average of \$13,974, on a per pupil basis from the district of residence, in 2015-2016. In 2014-2015 the School received an average of \$14,093 on per pupil basis.

The revenue from state sources increased due to the increase in adjustment aid that the School received from the State of New Jersey in the current year. This adjustment aid is on a per pupil basis. In 2015-2016 the School received \$1,365 on a per pupil basis, compared to \$1,246 in 2014-2015. The total per pupil funding is \$15,339 for both fiscal years. The State of New Jersey allocates additional aid to charter schools that were adversely affected by the new funding formula of 2008.

Grants and contributions not restricted to specific programs did not change significantly in the current year while the increase in miscellaneous revenue is due to additional pledges and donated fixed assets in the current year.

The revenues from business-type activities increased due to higher rates charged for the school lunch program and greater usage of the after-school programs and clubs. The related expenses increased, as well.

Expenses did not change significantly in the current year. The decrease in interest on mortgage debt is related to the debt refinancing the School did in the prior year, which also accounts for the decrease in debt issuance costs.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2016**

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

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the School's governmental funds is to provide information on near-term inflow, outflows, and balances as spendable resources. Such information is useful in assessing the School's financing requirements.

As demonstrated by the various statements and schedules included in the Financial Section of this report, the School continues to meet its responsibility for sound fiscal financial management. The following schedule presents a summary of General Fund and Special Revenue Fund revenues for the fiscal year ended June 30, 2016 and increases and decreases in relation to prior years:

Sources of Revenue for Fiscal Year 2016			Increase	Percent of
	Amount	Percentage	(Decrease) from 2015	Increase (Decrease)
Sources of income				
Local sources	\$ 4,984,730	80.05%	\$ (64,723)	-1.28%
State sources	1,162,554	18.67%	104,593	9.89%
Federal sources	79,837	1.28%	26,756	50.41%
	<u>\$ 6,227,121</u>	<u>100.00%</u>	<u>\$ 66,626</u>	<u>59.02%</u>

The decrease in local sources and increase in state sources is mainly attributable to a decrease in the equalization aid that flows from the district of residence to the School and an increase in state aid to make up the difference.

The increase in federal sources was related to receipt of NCLB Title I Part A funding in the current year which was not received in the prior year.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the fiscal year ended June 30, 2016 and the increases and decreases related to the prior year:

**Government Expenditures**

	Amount	Percent of Total	Increase	Percent of
			(Decrease) from 2015	Increase (Decrease)
Current expenditures				
Instruction	\$ 2,592,214	42.81%	\$ (6,135)	-0.24%
Undistributed	3,036,701	50.15%	(60,715)	-1.96%
Capital outlay	22,217	0.37%	(42,262)	-65.54%
Mortgage note payable				
Principal	183,726	3.03%	(140,092)	-43.26%
Interest	220,722	3.64%	(79,957)	-26.59%
	<u>\$ 6,055,580</u>	<u>100.00%</u>	<u>\$ (329,161)</u>	<u>-5.16%</u>

There were minimal increases in instruction and undistributed expenditures. The decrease in capital outlay is because fewer resources were allocated to capital improvements. The decrease in principal and interest related to mortgage note payable are due to the refinancing the School did in the prior year.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2016**

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**Charter School Analysis**

Charter Schools are required to spend at least 60% of budgeted expenditures on instruction. The expenditures do not include long term expenditures (mortgage principal or interest payments), capital outlay, or the TPAF non-budgeted on-behalf. The benefits are allocated by the percent of salaries apportioned to each category. Listed below is the percentage of current expenditures per designated category:

Category	Amount	Allocated Benefits	Total	Percent of Total
Instruction	\$ 2,592,214	\$ 453,081	\$ 3,045,295	62%
Administration	939,473	115,672	1,055,145	22%
Support	738,628	43,957	782,585	16%
<b>Total</b>	<b>\$ 4,270,315</b>	<b>\$ 612,710</b>	<b>\$ 4,883,025</b>	<b>100%</b>

The School continues to support its strong instructional program by allocating financial resources accordingly.

**General Fund Budgetary Highlights**

During the 2015-2016 school year, Princeton Charter School amended its General Fund budget as needed. The School uses line-based budgeting, which is known as the Line 108 report. This budget report is given to New Jersey Charter Schools by the New Jersey Department of Education. The budgeting system is designed to control costs and allocate resources in four key areas: instruction, administration, support services, and capital outlay. The financial position of the School remains stable while the School's enrollment has remained at maximum capacity, 348 students, for both 2016 and 2015. Careful management of expenses remains essential for the School to maintain its financial health. During the year ended June 30, 2016 actual revenues exceeded actual expenses by \$171,541.

The budget was developed for a total student body of 348 students. The additional amount received from Miscellaneous Revenue is predominantly for the rental of the School facilities by outside entities.

The Board adopted the original budget in March 2015 and amended it in December 2015, when the State of New Jersey provides the final funding numbers based on the October 15th enrollment count. This enrollment count is the students that are in a charter school at that point in time. Any students that leave the School from that date until the end of the school year are reported in the final enrollment count and the per-pupil funding is adjusted accordingly.

A review of actual expenditures compared to the appropriations in the final budget was for the following:

*Instructional expenditures:* the original budget was \$2,515,042; the amended budget was \$2,614,099; and the actual expenditures were \$2,592,214. There was minimal variance between the amended budget and actual expenditures.

*Administrative expenditures:* the original budget was \$1,762,912; the amended budget was \$1,842,987; and the actual expenditures were \$1,772,905. Net Administrative expenses were below budget estimates. The variance is due to the retirement of an employee at the end of December and the separation of another employee at the end of December for whom the School had budgeted an additional six months of salary.

*Support expenditures:* the original budget was \$881,829; the amended budget was \$839,472; and the actual expenditures were \$738,628. Net Support expenses were below budget estimates. The variance is due to a decrease in energy and snow removal costs due to a mild winter as well as good resource management relating to managing building and grounds costs.

*Capital outlay:* the original budget was \$369,129; the amended budget was \$188,726; and the actual expenditures were \$205,943. The variance between the amended budget and actual expenditures were related to donation of non-instructional equipment which was not budgeted for.



**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2016**

The amount of variance of final to actual of \$(443,682) is largely attributed to the State of New Jersey's requirement of the inclusion in the general fund of the non-budgeted on-behalf for TPAF purposes. These amounts are offset by related revenues and, as such; do not represent over-expenditures in this budget.

After removing that required adjustment the above variance would be \$175,594.

**Capital Assets**

At the end of the fiscal year ended June 30, 2016 and 2015, the School had \$11,155,247 and \$11,681,810, respectively, net invested in land, site improvements, building and building improvements and machinery and equipment.

**Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School		Percentage Change
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	
Sites (land)	\$ 2,560,000	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000	\$ 2,560,000	0.00%
Site improvements	105,395	126,535	--	--	105,395	126,535	-16.71%
Building and building improvements	8,152,832	8,607,023	--	--	8,152,832	8,607,023	-5.28%
Machinery and equipment	337,020	388,252	14,027	15,285	351,047	403,537	-13.01%
	<u>\$ 11,155,247</u>	<u>\$ 11,681,810</u>	<u>\$ 14,027</u>	<u>\$ 15,285</u>	<u>\$ 11,169,274</u>	<u>\$ 11,697,095</u>	<u>-4.51%</u>

The decrease in capital assets is due to current year depreciation expense exceeding the current year additions. For more detailed information, refer to Note 4 to the basic financial statements.

**Debt Administration**

At June 30, 2016 the School had \$7,572,274 outstanding in its mortgage notes payable. Of this amount \$215,433 is due in the 2016-2017 school year. The School also has a non-current liability in the amount of \$749,462, which is for an interest rate swap, a derivative instrument connected to the mortgage note.

**Outstanding Long-Term Debt**

	Total School		Percentage Change
	2015/2016	2014/2015	
Mortgage Payable	<u>\$ 7,572,274</u>	<u>\$ 7,756,000</u>	<u>-2.37%</u>

**Economic Factors and Next Year's Budget**

- The projected enrollment, for the 2016-2017 school year is 348 students.
- The per-pupil funding is \$15,339, the same as it was in 2015-2016.
- The State of New Jersey continues to provide adjustment aid for schools that were adversely affected by the School Reform Funding Act of 2008.
- All of the above factors were considered in preparing the School's 2016-2017 fiscal year budget.

**Contacting the School's Financial Management**

This financial report is designed to provide a general overview of Princeton Charter School's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the School Business Administrator at 609-924-0575, ext. 2503.

## **BASIC FINANCIAL STATEMENTS**

**CHARTER SCHOOL-WIDE  
FINANCIAL STATEMENTS**

**Princeton Charter School  
Statement of Net Position  
June 30, 2016**

Exhibit A-1

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 348,890	\$ 11,817	\$ 360,707
Receivables from other governments	114,041	1,353	115,394
Other receivables	140,929	9,695	150,624
Interfund receivable	3,000	--	3,000
Capital assets:			
Site (land)	2,560,000	--	2,560,000
Depreciable site improvements, building and improvements, furniture, machinery, and equipment (net of accumulated depreciation)	8,595,247	14,027	8,609,274
Total assets	<u>11,762,107</u>	<u>36,892</u>	<u>11,798,999</u>
<b>DEFERRED OUTFLOWS</b>			
Accumulated decrease in fair value of hedging derivatives	749,462	--	749,462
Loss on refunding	576,230	--	576,230
Pension deferred outflows	145,181	--	145,181
Total deferred outflows	<u>1,470,873</u>	<u>--</u>	<u>1,470,873</u>
<b>LIABILITIES</b>			
Cash overdraft	73,028	9,843	82,871
Accounts payable - vendors	24,876	--	24,876
Medical insurance payable	74,445	--	74,445
Unearned revenues	--	7,515	7,515
Non-current liabilities:			
Mortgage note payable due within one year	215,433	--	215,433
Mortgage note payable due in more than one year	7,356,841	--	7,356,841
Net pension liability	693,990	--	693,990
Derivative instrument - interest rate swap	749,462	--	749,462
Total liabilities	<u>9,188,075</u>	<u>17,358</u>	<u>9,205,433</u>
<b>DEFERRED INFLOWS</b>			
Pension deferred inflows	11,158	--	11,158
<b>NET POSITION</b>			
Net invested in capital assets	3,582,973	14,027	3,597,000
Unrestricted	450,774	5,507	456,281
Total net position	<u>\$ 4,033,747</u>	<u>\$ 19,534</u>	<u>\$ 4,053,281</u>

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

**Princeton Charter School  
Statement of Activities  
Year Ended June 30, 2016**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,953,523	\$ --	\$ 881,551	\$ --	\$ (3,071,972)	\$ --	\$ (3,071,972)
Support services:							
Student & instruction related services	329,174	--	210,378	--	(118,796)	--	(118,796)
General administrative services	1,306,584	--	225,060	--	(1,081,524)	--	(1,081,524)
Plant operations and maintenance	674,854	--	42,714	--	(632,140)	--	(632,140)
Pupil transportation	11,958	--	--	--	(11,958)	--	(11,958)
Interest on long-term debt	260,692	--	--	--	(260,692)	--	(260,692)
Unallocated depreciation (excludes allocated depreciation)	497,495	--	--	--	(497,495)	--	(497,495)
Total governmental activities	<u>7,034,280</u>	<u>--</u>	<u>1,359,703</u>	<u>--</u>	<u>(5,674,577)</u>	<u>--</u>	<u>(5,674,577)</u>
Business-type activities:							
Food service	93,933	77,294	7,358	--	--	(9,281)	(9,281)
Chess program	15,900	12,583	--	--	--	(3,317)	(3,317)
After school program	47,360	76,590	--	--	--	29,230	29,230
After school clubs	25,918	11,774	--	--	--	(14,144)	(14,144)
Total business-type activities	<u>183,111</u>	<u>178,241</u>	<u>7,358</u>	<u>--</u>	<u>--</u>	<u>2,488</u>	<u>2,488</u>
Total primary government	<u>\$ 7,217,391</u>	<u>\$ 178,241</u>	<u>\$ 1,367,061</u>	<u>\$ --</u>	<u>\$ (5,674,577)</u>	<u>\$ 2,488</u>	<u>\$ (5,672,089)</u>
General revenues:							
Local property taxes - charter school aid					\$ 4,792,581	\$ --	\$ 4,792,581
State share					499,827	--	499,827
Miscellaneous income					97,872	--	97,872
Grants and contributions not restricted to specific programs					50,000	--	50,000
Total general revenues					<u>5,440,280</u>	<u>--</u>	<u>5,440,280</u>
Change in net position					(234,297)	2,488	(231,809)
Net position - beginning					<u>4,268,044</u>	<u>17,046</u>	<u>4,285,090</u>
Net position - ending					<u>\$ 4,033,747</u>	<u>\$ 19,534</u>	<u>\$ 4,053,281</u>

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

**FUND FINANCIAL STATEMENTS**

**Princeton Charter School  
Balance Sheet  
Governmental Funds  
June 30, 2016**

Exhibit B-1

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 348,890	\$ --	\$ 348,890
Other receivables	96,652	44,277	140,929
Receivables from other governments:			
State	71,591	42,450	114,041
Interfund receivable	3,000	--	3,000
Total assets	<u>\$ 520,133</u>	<u>\$ 86,727</u>	<u>\$ 606,860</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Cash overdraft	\$ --	\$ 73,028	\$ 73,028
Accounts payable - vendors	11,177	13,699	24,876
Medical insurance payable	74,445	--	74,445
Total liabilities	<u>85,622</u>	<u>86,727</u>	<u>172,349</u>
Fund Balances:			
Unassigned	434,511	--	434,511
Total fund balances	<u>434,511</u>	<u>--</u>	<u>434,511</u>
Total liabilities and fund balances	<u>\$ 520,133</u>	<u>\$ 86,727</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 fund statements. The cost of the assets is \$16,402,972 and the accumulated depreciation is \$5,247,725.	11,155,247
Pension deferred outflows are not current financial resources and, therefore, are not reported in the fund statements.	145,181
Pension deferred inflows are not reported as liabilities in the fund statements.	(11,158)
Loss on refunding deferred outflows are not reported as liabilities in the fund statements.	576,230
Long-term liabilities, including mortgage note payable are not due in the current period and, therefore, are not reported as liabilities in the funds.	(7,572,274)
Long-term liabilities, including net pension liability, are not due in the current period and, therefore, are not reported as liabilities in the funds.	(693,990)
Net position of governmental activities	<u>\$ 4,033,747</u>

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

**Princeton Charter School  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended June 30, 2016**

Exhibit B-2

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Local sources:			
Equalization aid	\$ 4,792,581	\$ --	\$ 4,792,581
Miscellaneous	97,872	44,277	142,149
Grants and contributions not restricted to specific programs	50,000	--	50,000
Total local sources	<u>4,940,453</u>	<u>44,277</u>	<u>4,984,730</u>
State sources	1,160,054	2,500	1,162,554
Federal sources	--	79,837	79,837
Total revenues	<u>6,100,507</u>	<u>126,614</u>	<u>6,227,121</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	2,592,214	--	2,592,214
Undistributed costs:			
Student and instruction related services	118,025	126,614	244,639
General administrative services	939,473	--	939,473
Plant operations and maintenance	608,645	--	608,645
Pupil transportation	11,958	--	11,958
Employee benefits	612,710	--	612,710
On-behalf pension contributions	432,815	--	432,815
On-behalf TPAF social security contributions	186,461	--	186,461
Debt service:			
Mortgage payments-principal	183,726	--	183,726
Interest on mortgage note payable	220,722	--	220,722
Capital outlay	22,217	--	22,217
Total expenditures	<u>5,928,966</u>	<u>126,614</u>	<u>6,055,580</u>
Excess of expenditures over revenues	171,541	--	171,541
Fund balance - July 1	262,970	--	262,970
Fund balance - June 30	<u>\$ 434,511</u>	<u>\$ --</u>	<u>\$ 434,511</u>

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



**Princeton Charter School  
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2016**

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**Exhibit B-3**

**Excess of expenditures over revenues - governmental funds (from B-2)** \$ 171,541

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 capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (548,780)	
Capital additions	<u>22,217</u>	(526,563)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience / assumption. This is the amount by which net pension liability and deferred infows / outflows related to pension changed during the period. (23,031)

Governmental funds report the effect of refunding transactions when the debt is first issued, but the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred loss on refunding. (39,970)

Repayment of mortgage note is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 183,726

**Change in net position of governmental activities** \$ (234,297)

**Princeton Charter School  
Statement of Net Position  
Proprietary Funds  
June 30, 2016**

Exhibit B-4

	<b>Enterprise Funds</b>		
	<b>Food Service</b>	<b>After School Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ --	\$ 11,817	\$ 11,817
Other receivables	2,294	7,401	9,695
Receivables from other governments	1,353	--	1,353
Total current assets	<u>3,647</u>	<u>19,218</u>	<u>22,865</u>
Noncurrent assets:			
Equipment	18,820	--	18,820
Less: Accumulated depreciation	<u>(4,793)</u>	<u>--</u>	<u>(4,793)</u>
Total capital assets, net	<u>14,027</u>	<u>--</u>	<u>14,027</u>
Total assets	<u>17,674</u>	<u>19,218</u>	<u>36,892</u>
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft	9,843	--	9,843
Unearned revenues	<u>7,515</u>	<u>--</u>	<u>7,515</u>
Total current liabilities	<u>17,358</u>	<u>--</u>	<u>17,358</u>
<b>NET POSITION</b>			
Invested in capital assets net of related debt	14,027	--	14,027
Unrestricted	<u>(13,711)</u>	<u>19,218</u>	<u>5,507</u>
Total net position	<u>\$ 316</u>	<u>\$ 19,218</u>	<u>\$ 19,534</u>

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

**Princeton Charter School**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

Exhibit B-5

	Enterprise Funds		
	Food Service	After School Activities	Total
Operating revenues:			
Local sources:			
Daily food sales - reimbursable programs	\$ 77,294	\$ --	\$ 77,294
Miscellaneous program fees	--	100,947	100,947
Total operating revenues	<u>77,294</u>	<u>100,947</u>	<u>178,241</u>
Operating expenses:			
Cost of sales	71,560	--	71,560
Salaries	21,115	77,519	98,634
Miscellaneous program expense	--	1,275	1,275
Professional services	--	6,024	6,024
Supplies and materials	--	4,360	4,360
Depreciation	1,258	--	1,258
Total operating expenses	<u>93,933</u>	<u>89,178</u>	<u>183,111</u>
Operating (loss) income	<u>(16,639)</u>	<u>11,769</u>	<u>(4,870)</u>
Non-operating revenue:			
State sources:			
State school lunch program	618	--	618
Federal sources:			
National school lunch program	6,740	--	6,740
Total non-operating revenue	<u>7,358</u>	<u>--</u>	<u>7,358</u>
Change in net position	(9,281)	11,769	2,488
Net position - beginning	9,597	7,449	17,046
Net position - ending	<u>\$ 316</u>	<u>\$ 19,218</u>	<u>\$ 19,534</u>

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

**Princeton Charter School  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2016**

Exhibit B-6

	<b>Enterprise Funds</b>		
	<b>Food Service</b>	<b>After School Activities</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 85,104	\$ 101,503	\$ 186,607
Payments to employees	(21,115)	(77,519)	(98,634)
Payments to suppliers	(71,560)	(12,167)	(83,727)
Net cash (used) provided by operating activities	<u>(7,571)</u>	<u>11,817</u>	<u>4,246</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
State sources	556	--	556
Federal sources	6,105	--	6,105
Net cash provided by non-capital financing activities	<u>6,661</u>	<u>--</u>	<u>6,661</u>
Net change in cash	(910)	11,817	10,907
Balances - beginning of year, July 1	910	--	910
Balances - end of year, June 30	<u>\$ --</u>	<u>\$ 11,817</u>	<u>\$ 11,817</u>
<b>Reconciliation of operating (loss) income to net cash (used) provided by operating activities:</b>			
Operating (loss) income	\$ (16,639)	\$ 11,769	\$ (4,870)
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities			
Depreciation	1,258	--	1,258
Change in cash overdraft	9,843	(508)	9,335
Change in unearned revenue	(627)	--	(627)
Change in accounts receivable, net	(1,406)	556	(850)
Net cash (used) provided by operating activities	<u>\$ (7,571)</u>	<u>\$ 11,817</u>	<u>\$ 4,246</u>

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

**Princeton Charter School  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

	<b>Exhibit B-7</b>	
	<b>Unemployment Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,891	\$ 2,094
Receivables from other governments:		
Federal	--	4,016
State	--	528
Total assets	<u>4,891</u>	<u>\$ 6,638</u>
<b>LIABILITIES</b>		
Prepaid employee FSA claims	--	\$ 3,638
Interfund payable	--	3,000
Total liabilities	<u>--</u>	<u>\$ 6,638</u>
<b>NET POSITION</b>		
Held in trust for unemployment claims	<u>\$ 4,891</u>	

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

**Princeton Charter School  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2016**

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**Exhibit B-8**

**Unemployment Trust Fund**

**ADDITIONS**

Contributions:

Plan members

\$ 4,891

**DEDUCTIONS**

Transfer to General Fund to cover unemployment claims

86

Change in net position

4,805

Net position, beginning of year

86

Net position, end of year

\$ 4,891

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2016**

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**1. Summary of Significant Accounting Policies**

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

**Reporting Entity**

The School is an instrumentality of the State of New Jersey, established to function as an educational institution. The School's board of trustees consists of nine elected officials who are elected by the parents / guardians of Princeton Charter School students. Each elected Board member serves a three-year term. The Board is responsible for the fiscal control of the School. A Head of School is appointed by the Board and is responsible for the administrative control of the School. The purpose of the School is to provide instruction to students grades K through 8.

The financial reporting entity consists of a) the charter school, b) organizations for which the charter school is financially accountable, and c) other organizations for which the nature and significance of their relationship with the charter school are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A charter school is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the charter school. A charter school may also be financially accountable for governmental organizations that are fiscally dependent on it.

The School has oversight responsibility and control over all activities related to Princeton Charter School in Princeton, New Jersey. The School receives funding from local, State, and Federal government sources and must comply with the requirements of these funding source entities.

The School has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the "GASB Codification of Governmental Accounting and Financial Reporting Standards".

**Charter School-Wide and Fund Financial Statements**

The charter school-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Equalization Aid and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency of reporting among the schools in the State of New Jersey.

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The charter school-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Equalization Aid is recognized as revenue in the year for which it is recorded and earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenue to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, certain legal settlements and capital leases, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Equalization aid, interest, and state monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the School receives cash.

The School has reported the following governmental funds:

*General Fund:* The general fund is the general operating fund of the School and is used to account for all financial resources except those required to be accounted for in another fund. Capital outlay is also included in the general fund.

*Special Revenue Fund:* The School maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

The School reports the following proprietary funds:

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

*After School Activities Enterprise Fund:* The after school activities enterprise fund accounts for all revenues and expenses pertaining to after school programs. This fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods and services to the students or other entities on a continuing basis are financed or recovered primarily through user charges.

The School reports the following fiduciary fund types:

*Trust Funds:* The unemployment compensation fund is accounted for in essentially the same manner as governmental funds. It is used to account for contributions from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims.



**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2016**

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*Agency Funds:* Agency funds are used to account for the assets that the School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the School's enterprise funds are charges for sales of food, tuition, and program fees. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The School reports unearned revenue on its balance sheets and statements of net position. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheets and statements of net position and revenue is recognized.

**Budgets / Budgetary Control**

Annual appropriated budgets are prepared in March of each year for the general and special revenue and submitted to the Charter School Office of School Finance after formal Board approval by March 30th. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund of the total budget. The line items accounts are defined and established pursuant to the minimum chart of accounts referred in N.J.A.C.6A:23 and then flow into the charter school described formal Line 108 report. Total instructional expenditures must at least 60% of the total budget. All budget amendments must be approved by Board resolution. Budgetary transfers were made during the current year in accordance with statutory guidelines. The amendments made by the School were part of the normal course of operations. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as School expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

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 accounting principles generally accepted in the United States of America with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, amounts on deposit, money market accounts, and short-term investments with original maturities of three months or less. Investments are stated at fair value in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("GASB 31"). The School classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

**Princeton Charter School  
Notes to Financial Statements  
June 30, 2016**

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**Inter-Fund Receivables / Payables**

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

**Capital Assets**

Capital assets, which include land, construction in progress, land improvement, buildings and building improvements and machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Capital assets, being depreciated, of the School are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Description	Estimated Useful Lives (Years)
Land improvements	20
Buildings and buildings improvements	25-50
Machinery and equipment	5-20
Computer software	5
Vehicles	5-10

**Accrued Salaries and Wages**

The School does not have a summer payment plan; the only wages accrued are for hourly employees whose salaries are earned but not paid by year-end.

**Compensated Absences**

School employees are granted varying amounts of vacation and sick leave in accordance with the School's personnel policy. The School does not offer monetary compensation for unused sick or vacation time.

**Unearned Revenue**

Unearned revenue in the food service fund represents cash which has been received but not yet earned for school lunches.

**Long-Term Obligations**

In the charter school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements the current portion of principal and interest expense are recognized. The School presently has a mortgage note payable with an interest rate swap attached to it.

**Fund Balances**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2016**

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- 1) *Non-spendable* - includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) *Restricted* - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) *Committed* - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision making authority. The School's highest level of decision-making authority is the Board of Trustees (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) *Assigned* - amounts intended to be used by the government for specific purposes but which do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) *Unassigned* - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the School first spends committed funds, then assigned funds, and finally, unassigned funds.

The general fund balance at June 30, 2016 is \$434,511 and is unassigned.

**Deferred Outflows / Inflows of Resources**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

**Princeton Charter School  
Notes to Financial Statements  
June 30, 2016**

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GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65") establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**Management Estimates**

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

**On-Behalf Payments**

Revenues and expenditures of the general fund include payments made or reimbursed by the State of New Jersey for social security and post-retirement pension and medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the School's annual budget.

**Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2016 and December 1, 2016, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the School that would require disclosure.

**2. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between fund balance (total governmental funds) and net position (governmental activities) as reported in the charter school-wide statement of net position. One element of that reconciliation explains that capital assets used in governmental activities are financial resources and therefore are not reported in the fund. The details of this \$11,155,247 are as follows:

Land	\$ 2,560,000
Site improvements	307,441
Less: Accumulated depreciation - site improvements	(202,046)
Building and building improvements	12,428,881
Less: Accumulated depreciation - building and building improvements	(4,276,049)
Machinery and equipment	1,106,650
Less: Accumulated depreciation - machinery and equipment	<u>(769,630)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 11,155,247</u></u>

**3. Deposits and Investments**

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

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2016**

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

**Deposits**

New Jersey statutes require that schools deposit public funds in public depositories located in New Jersey that 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. Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund, M.B.I.A. CLASS and the New Jersey Asset and Rebate Management Fund.

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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.

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

At June 30, 2016, the School's carrying value of its deposits was \$367,692 and the bank balance was \$412,444.

Based on levels of risk, \$250,000 of the School's cash deposits on June 30, 2016 were secured by federal depository insurance and the remaining bank balance of \$150,990 were covered by the New Jersey Governmental Unit Deposit Protection Act.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty, the School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

The School does not have a policy for the management of Custodial Credit Risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the School's deposits were fully collateralized by funds held by financial institutions, but not in the name of the School. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2016**

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**Investments**

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

- a. Bonds and 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, which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA CLASS.

*Custodial Credit Risk:* The School does not have a policy for Custodial Credit Risk other than to maintain a safekeeping account for the securities at a financial institution.

*Credit Risk:* The School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

*Concentration of Credit Risk:* The School places no limit on the amount the School may invest in any one issuer. At June 30, 2016, the School had no investments.

*Interest Rate Risk:* The School does not have a policy to limit interest rate risk. The School did not have any funds held as investments during the fiscal year ending on June 30, 2016.

**Princeton Charter School  
Notes to Financial Statements  
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**4. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Purchases/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Sites (land)	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000
Total capital assets not being depreciated	<u>2,560,000</u>	<u>--</u>	<u>--</u>	<u>2,560,000</u>
Capital assets being depreciated				
Site improvements	307,441	--	--	307,441
Buildings and building improvements	12,428,881	--	--	12,428,881
Machinery and equipment	1,084,433	22,217	--	1,106,650
Total capital assets being depreciated	<u>13,820,755</u>	<u>22,217</u>	<u>--</u>	<u>13,842,972</u>
Governmental activities capital assets	<u>16,380,755</u>	<u>22,217</u>	<u>--</u>	<u>16,402,972</u>
Less accumulated depreciations for:				
Site improvements	(180,906)	(21,140)	--	(202,046)
Buildings and building improvements	(3,821,858)	(454,191)	--	(4,276,049)
Machinery and equipment	(696,181)	(73,449)	--	(769,630)
	<u>(4,698,945)</u>	<u>(548,780)</u>	<u>--</u>	<u>(5,247,725)</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 11,681,810</u>	<u>\$ (526,563)</u>	<u>\$ --</u>	<u>\$ 11,155,247</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 9,559
Other instruction	87
Student and instruction related services	18,891
School administrative services	22,031
Plant operations and maintenance	717
Unallocated, not included elsewhere	497,495
	<u>\$ 548,780</u>

**Princeton Charter School**  
**Notes to Financial Statements**  
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The following schedule is a summarization of the business-type activities changes in capital assets for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Purchases/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	\$ 18,820	\$ --	\$ --	\$ 18,820
Less accumulated depreciation	<u>(3,535)</u>	<u>(1,258)</u>	<u>--</u>	<u>(4,793)</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 15,285</u>	<u>\$ (1,258)</u>	<u>\$ --</u>	<u>\$ 14,027</u>

**5. Long-Term Liabilities**

The School borrowed \$7,756,000 in June 2015 from Peapack-Gladstone Bank (the "Bank"). Of this total, \$7,391,000 was financed through the New Jersey Economic Development Authority ("NJEDA"). The remainder was financed directly through the Bank. The School used the proceeds from these loans to refund its outstanding mortgage debt in the amount of \$7,035,144 and terminate an interest rate swap agreement with its previous lender in the amount of \$616,200. The balance was used to pay closing costs and accrued interest.

The \$7,391,000 loan requires monthly payments of principal and interest through maturity in July 2040 at which time all unpaid principal and interest is due. Interest accrues at a rate of 65 percent of the one-month LIBOR (0.47 percent at June 30, 2016) plus 2.00 percent. The School also entered into an interest rate swap agreement with the Bank for the first twenty years to reduce the impact of changes in the interest rate on this variable rate loan. The notional amount under the interest rate swap decreases as principal payments are made on the loan. The fair market value of the interest rate swap on June 30, 2016 was a liability of \$749,462. The loan balance at June 30, 2016 was \$7,220,657.

The \$365,000 loan requires monthly payments of principal and interest through maturity in July 2035 at which time all unpaid principal and interest is due. Interest accrues at a rate of the one-month LIBOR (0.47 percent at June 30, 2016) plus 2.00 percent. The loan balance at June 30, 2016 was \$351,617.

In conjunction with the issuance of these loans, the School also entered into a line of credit agreement with the Bank. The line of credit agreement has a maximum borrowing capacity of \$500,000 and expires on June 30, 2017. Interest accrues at the Prime rate (3.50 percent at June 30, 2016). Monthly interest-only payments are due. All unpaid principal and interest is due at maturity. The School did not draw down any amount on the line as of June 30, 2016.

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



**Princeton Charter School**  
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Principal and interest on the loans are as follows for the years ending June 30:

	Principal	Interest	Total
2017	\$ 215,433	\$ 229,675	\$ 445,108
2018	222,144	222,964	445,108
2019	229,064	216,044	445,108
2020	236,200	208,908	445,108
2021	243,560	201,548	445,108
2022-2027	1,629,346	1,041,301	2,670,647
2028-2034	2,322,133	793,622	3,115,755
2035-2041	2,474,394	238,094	2,712,488
Total	<u>\$ 7,572,274</u>	<u>\$ 3,152,156</u>	<u>\$ 10,724,430</u>

Mortgage note payable is liquidated by the general fund. Principal and interest due within one year amount to \$215,433 and \$229,675, respectively.

The loan agreement with the Bank contains a debt service coverage ratio test as follows:

	2016	2015	2014	Average	Use	From
Change in net position	(231,809)	(514,788)	(124,010)			A-2
Add back:						
Interest	220,722	300,679	313,140			B-2
Depreciation	548,780	561,049	558,070			B-3
EBIDA	537,693	346,940	747,200	543,944	543,944	
Current portion of long-term debt	215,433				215,433	A-1
Interest expense (current reporting period)	220,722				220,722	B-2
					<u>436,155</u>	
Ratio					1.25	
Benchmark					1.05	
Result					Pass	

The refunding of the School's outstanding mortgage debt resulted in a loss on refunding of \$616,200 in 2015. In accordance with GASB No. 65, the loss is classified as a deferred outflow of resources. The deferred outflow of resources is amortized as a component of interest expense over the shorter of the life of the old or new debt. This deferred outflow of resources will be recognized in interest expense as follows for the years ended June 30:

2017	\$	39,970
2018		39,970
2019		39,970
2020		39,970
2021		39,970
2022-2027		279,790
2028-2034		96,590
2035-2041		--
Total	<u>\$</u>	<u>576,230</u>

**Princeton Charter School**  
**Notes to Financial Statements**  
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**6. Pension Plans**

**Description of Plans**

All required employees of the School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits ("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 Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Teachers' Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multi-employer defined benefit plan with a special funding situation, by which the State of New Jersey is responsible to fund 100 percent of employer contributions, excluding any local employer early retirement incentive contributions. 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.

*Summary of Significant Accounting Policies*

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.

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

The employer contributions for the School are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the School. However, the state's portion of the net pension liability that was associated with the School was \$16,470,577 as measured on June 30, 2015 and \$13,256,103 as measured on June 30, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$1,005,677 and revenue of \$1,005,677 for support provided by the State. The measurement period for the pension expense and revenue reported in the School's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

**Princeton Charter School**  
**Notes to Financial Statements**  
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Although the School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan:

Collective deferred outflows of resources	\$ 7,521,378,257
Collective deferred inflows of resources	\$ 554,399,005
Collective net pension liability (Non-employer: State of New Jersey)	\$ 63,204,270,305
State's portion of the net pension liability that was associated with the School	\$ 16,470,577
State's portion of the net pension liability that was associated with the School as a percentage of the collective net pension liability	0.026059%

*Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.50%
Salary increases:	Varies based on experience
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

**Princeton Charter School  
Notes to Financial Statements  
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<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	5.00%	0.53%
Government Bonds	1.75%	1.39%
Credit Bonds	13.50%	2.72%
Mortgages	2.10%	2.54%
Inflation-indexed bonds	1.50%	1.47%
High yield bonds	2.00%	4.57%
Equity market	27.25%	5.63%
Foreign - developed equity	12.00%	6.22%
Emerging market equities	6.40%	8.46%
Private real estate property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge funds - multi strategy	4.00%	4.59%
Hedge funds - equity hedge	4.00%	5.68%
Hedge funds - distressed	4.00%	4.30%

*Discount Rate*

The discount rate used to measure the State's total pension liability was 4.13 percent as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Since the School has no proportionate share of the net pension liability because of the special funding situation, the School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf16.pdf>

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

**Princeton Charter School**  
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**Public Employees' Retirement System**

The Public Employees' Retirement System ("PERS") was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. 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, school district, 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.

*Summary of Significant Accounting Policies*

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.

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

At June 30, 2016, the School reported a liability of \$693,990 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the year ended June 30, 2015. At June 30, 2015, the School's proportion was 0.00309%, which was an increase of 0.0001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$51,515. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ --	\$ --
Changes of assumptions	74,529	--
Net difference between projected and actual earnings on pension plan investments	16,556	11,158
Changes in proportion and differences between School contributions and proportionate share of contributions	27,517	--
School contributions subsequent to the measurement date	26,579	--
	<u>\$ 145,181</u>	<u>\$ 11,158</u>

\$26,579 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016.

**Princeton Charter School  
Notes to Financial Statements  
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ended June 30:

2016	\$	19,560
2017		19,560
2018		19,560
2019		31,153
Thereafter		17,611
Total	\$	<u>107,444</u>

The collective amounts are the total of all New Jersey local governments participating in the PERS plan:

Collective deferred outflows of resources	\$	3,578,755,666
Collective deferred inflows of resources	\$	993,410,455
Collective net pension liability (Non-state: local group)	\$	22,447,996,119
School's portion of net pension liability	\$	693,990
School's proportion %		0.00309155%

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation:	3.04%
Salary increases:	
2012-2021	2.15%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Princeton Charter School  
Notes to Financial Statements  
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Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High yield bonds	2.00%	4.03%
Inflation-indexed bonds	1.50%	3.25%
Broad US equities	27.25%	8.52%
Developed foreign equities	12.00%	6.88%
Emerging market equities	6.40%	10.00%
Private equity	9.25%	12.41%
Hedge funds / absolute return	12.00%	4.72%
Real estate (property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

*Discount Rate*

The discount rate used to measure the total pension liability was 4.90 percent as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90 percent, and a municipal bond rate of 3.80 percent as of June 30, 2015 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the School's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
School's proportionate share of the net pension liability	\$ 862,545	\$ 693,990	\$ 552,675

**Princeton Charter School**  
**Notes to Financial Statements**  
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*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**Defined Contribution Retirement Plan**

The Defined Contribution Retirement Program ("DCRP") was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**PERS and TPAF Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 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 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 members 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 members' accounts.

**Significant Legislation**

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS") operate and to the benefit provisions of those systems.

New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. There were increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. There were new employee contribution requirements towards the cost of employer-provided health benefit coverage.



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Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 ("PERS") and N.J.S.A. 18:66 ("TPAF") requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.06% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 7.20% and the PERS rate is 7.20% of covered payroll.

During the year ended June 30, 2016, the State of New Jersey contributed \$432,815 to the TPAF for post-retirement medical benefits and pensions on behalf of the School. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the School \$186,461 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the charter school-wide and fund financial statements.

The School's actuarially determined contributions to PERS for the years ended June 30, 2016, 2015 and 2014 were \$26,579, \$24,676, and \$22,050, respectively, equal to the required contributions for each year.

Employees contribute 5.5% of their contracted salary to the DCRP and employers contribute 3% of the contracted salary. Princeton Charter School contributed to DCRP the amounts as follows: \$6,335, \$5,606 and \$2,457 for the fiscal years ended, June 30, 2016, 2015, and 2014, respectively.

**7. Post-Retirement Benefits**

**Plan Description**

The School contributes to the New Jersey State Health Benefits Program ("SHBP"), a cost-sharing multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program 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 Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

**Funding Policy**

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension 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. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service.

**Princeton Charter School  
Notes to Financial Statements  
June 30, 2016**

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The State will set the contribution rate based on the annual required contribution of the employers ("ARC"), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School for the years ended June 30, 2016, 2015 and 2014 were \$186,461, \$179,052 and \$176,265, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School was not determined or made available by the State of New Jersey.

**8. Risk Management**

The 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 School participates in the New Jerseys Insurance Group ERIC North sub fund for its insurance coverage for property, liability, student accident and other types of liabilities and does not retain risk of loss. Under the JIF, the School is assessed an annual premium. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

**New Jersey Unemployment Compensation Insurance**

The School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the 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 School is billed quarterly for amounts due to the State.

**9. Supplementary Retirement Plan**

The School offers its employees a supplementary retirement plan created in accordance with Internal Revenue Code Section 403(b) and 415. The plan, which is administered by the School and TIAA CREF, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The School has no liability for losses under the plan.

**10. Inter-Fund Receivables and Payables**

The following presents a reconciliation of inter-fund receivables and payables as of June 30, 2016:

	Due from	Due to
Agency fund (payroll)	\$ --	\$ 3,000
General fund	3,000	--
	<u>\$ 3,000</u>	<u>\$ 3,000</u>

**11. Economic Dependency**

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

**Princeton Charter School  
Notes to Financial Statements  
June 30, 2016**

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**12. Transfers**

The following presents a reconciliation of transfers during the 2016 fiscal year, which were done within the Enterprise Fund:

	<b>Transfers in</b>	<b>Transfers out</b>
After School Program	\$ --	\$ 17,461
Chess Program	3,317	--
After School Clubs	14,144	--
	<u>\$ 17,461</u>	<u>\$ 17,461</u>

**13. Restricted Assets**

The School does not have any restricted assets.

**14. Commitments**

The School has a commitment for a janitorial service contract which expires June 30, 2018 for an amount not to exceed \$78,000 per year.

The School has a commitment for a lunch service contract which expires June 30, 2017. The contract is based on the number of lunches ordered, but is expected to cost approximately \$61,250.

The School leases office space to the Princeton Symphony Orchestra. The office space is located in the Marsee Center (business office) on the School's campus. The current lease expires on July 14, 2020. The monthly rental income for the current period is \$1,800 and increases slightly each year.

**15. Operating Lease**

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

<b>Year</b>	<b>Amount</b>
2017	\$ 21,452
2018	21,452
2019	19,067
	<u>\$ 61,971</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**Princeton Charter School  
Budgetary Comparison Schedule – Budgetary Basis  
General Fund  
Year Ended June 30, 2016**

**Exhibit C-1  
Page 1 of 2**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources</b>					
Equalization aid	\$ 4,792,581	\$ 136,569	\$ 4,929,150	\$ 4,792,581	\$ (136,569)
Grants and contributions not restricted to specific programs	50,000	(50,000)	--	50,000	50,000
Miscellaneous	77,872	(32,872)	45,000	97,872	52,872
<b>Total Local Sources</b>	<u>4,920,453</u>	<u>53,697</u>	<u>4,974,150</u>	<u>4,940,453</u>	<u>(33,697)</u>
<b>State Sources</b>					
Adjustment aid	420,369	(105,777)	314,592	420,369	105,777
Security aid	25,259	612	25,871	25,259	(612)
Special education aid	40,951	27,294	68,245	40,951	(27,294)
Non-public aid	54,199	(54,199)	--	54,199	54,199
TPAF - pension contribution (on-behalf non-budgeted)	--	--	--	432,815	432,815
TPAF - social security (reimbursed- non-budgeted)	--	--	--	186,461	186,461
<b>Total State Sources</b>	<u>540,778</u>	<u>(132,070)</u>	<u>408,708</u>	<u>1,160,054</u>	<u>751,346</u>
<b>Total Revenues</b>	<u>5,461,231</u>	<u>(78,373)</u>	<u>5,382,858</u>	<u>6,100,507</u>	<u>717,649</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of teachers	2,196,809	38,911	2,235,720	2,235,208	512
Other salaries for instruction	114,733	97,773	212,506	194,973	17,533
Purchased professional / technical services	25,500	500	26,000	23,748	2,252
Other purchased services	25,000	(3,177)	21,823	21,720	103
General supplies	105,000	(25,500)	79,500	78,656	844
Textbooks	38,000	(4,450)	33,550	34,034	(484)
Miscellaneous expenses	10,000	(5,000)	5,000	3,875	1,125
<b>Total Instructional Expenses</b>	<u>2,515,042</u>	<u>99,057</u>	<u>2,614,099</u>	<u>2,592,214</u>	<u>21,885</u>
<b>Administrative</b>					
Salaries - administrative	479,373	40,679	520,052	347,713	172,339
Salaries - secretarial and clerical assistants	117,500	(38,778)	78,722	178,875	(100,153)
Total benefit costs	549,763	75,234	624,997	612,710	12,287
Purchased professional / technical services	125,700	(1,950)	123,750	133,988	(10,238)
Other purchased services	95,000	27,278	122,278	124,207	(1,929)
Communications / telephone	18,675	2,125	20,800	18,870	1,930
General supplies	15,000	(3,000)	12,000	10,461	1,539
Mortgage note payments - interest	282,914	(49,138)	233,776	220,722	13,054
Unemployment insurance	15,000	(3,000)	12,000	18,048	(6,048)
Workers compensation	28,987	--	28,987	28,987	--
Miscellaneous expenditures	35,000	30,625	65,625	78,324	(12,699)
<b>Total Administrative Expenses</b>	<u>1,762,912</u>	<u>80,075</u>	<u>1,842,987</u>	<u>1,772,905</u>	<u>70,082</u>

**Princeton Charter School  
Budgetary Comparison Schedule – Budgetary Basis  
General Fund  
Year Ended June 30, 2016**

**Exhibit C-1  
Page 2 of 2**

Page 2 of 2

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Support Services</b>					
Salaries	\$ 430,479	\$ (116,630)	\$ 313,849	\$ 329,615	\$ (15,766)
Purchased professional / technical services	197,600	54,447	252,047	149,168	102,879
Other purchased services	29,000	11,000	40,000	96,181	(56,181)
Insurance for property, liability, and fidelity	44,750	1,326	46,076	17,630	28,446
Supplies and materials	60,000	(2,000)	58,000	36,067	21,933
Transportation - other than to/from school	10,000	4,000	14,000	11,958	2,042
Energy (energy and electricity)	110,000	5,500	115,500	98,009	17,491
<b>Total Support Services</b>	<b>881,829</b>	<b>(42,357)</b>	<b>839,472</b>	<b>738,628</b>	<b>100,844</b>
<b>ON-BEHALF CONTRIBUTIONS</b>					
TPAF - pension contribution (on-behalf non-budgeted)	--	--	--	432,815	(432,815)
TPAF - social security (reimbursed non-budgeted)	--	--	--	186,461	(186,461)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>619,276</b>	<b>(619,276)</b>
<b>CAPITAL OUTLAY</b>					
Instructional equipment	1,000	(1,000)	--	--	--
Non-instructional equipment	5,000	--	5,000	22,217	(17,217)
Purchase land / improvements	25,000	(25,000)	--	--	--
Mortgage note payments - principal	338,129	(154,403)	183,726	183,726	--
<b>TOTAL CAPITAL OUTLAY</b>	<b>369,129</b>	<b>(180,403)</b>	<b>188,726</b>	<b>205,943</b>	<b>(17,217)</b>
<b>TOTAL EXPENDITURES</b>	<b>5,528,912</b>	<b>(43,628)</b>	<b>5,485,284</b>	<b>5,928,966</b>	<b>(443,682)</b>
<b>(Deficiency) Excess of Revenues Over Expenditures</b>	<b>(67,681)</b>	<b>(34,745)</b>	<b>(102,426)</b>	<b>171,541</b>	<b>273,967</b>
<b>(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses</b>	<b>(67,681)</b>	<b>(34,745)</b>	<b>(102,426)</b>	<b>171,541</b>	<b>273,967</b>
<b>Fund Balance, July 1</b>	<b>262,970</b>	<b>--</b>	<b>262,970</b>	<b>262,970</b>	<b>--</b>
<b>Fund Balance, June 30</b>	<b>\$ 195,289</b>	<b>\$ (34,745)</b>	<b>\$ 160,544</b>	<b>\$ 434,511</b>	<b>\$ 273,967</b>
<b>Recapitulation:</b>					
<b>Assigned Fund Balance</b>				\$ --	
<b>Unassigned Fund Balance</b>				434,511	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<b>\$ 434,511</b>	

**Princeton Charter School  
 Budgetary Comparison Schedule – Budgetary Basis  
 Special Revenue Fund  
 Year Ended June 30, 2016**

Exhibit C-2

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>REVENUES:</b>					
Local sources	\$ --	\$ --	\$ --	\$ 44,277	\$ 44,277
State sources	--	2,500	2,500	2,500	--
Federal sources	55,000	24,837	79,837	79,837	--
<b>Total Revenues</b>	<b>55,000</b>	<b>27,337</b>	<b>82,337</b>	<b>126,614</b>	<b>44,277</b>
<b>EXPENDITURES:</b>					
Support services					
Purchased professional - educational services	55,000	(2,806)	52,194	58,903	6,709
Other purchased professional services	--	6,709	6,709	5,238	(1,471)
Supplies and materials	--	--	--	39,039	39,039
Salaries	--	23,434	23,434	23,434	--
<b>Total Expenditures</b>	<b>55,000</b>	<b>27,337</b>	<b>82,337</b>	<b>126,614</b>	<b>44,277</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>



**Princeton Charter School  
Budget-to-GAAP Reconciliation and  
Notes to Required Supplementary Information  
Year Ended June 30, 2016**

**Exhibit C-3**

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

	General Fund	Special Revenue Fund
	<u>                    </u>	<u>                    </u>
<b>Sources / inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 6,100,507	\$ 126,614
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 6,100,507</u>	<u>\$ 126,614</u>
<b>Uses / outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,928,966	\$ 126,614
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,928,966</u>	<u>\$ 126,614</u>

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

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

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

**Princeton Charter School  
Schedule of the School's Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years\***

**Exhibit C-4**

**Teachers' Pension and Annuity Fund (TPAF)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
School's proportion of the net pension liability (asset) **								N/A	N/A	N/A
School's proportionate share of the net pension liability (asset) **								N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the School								<u>\$ 11,771,513</u>	<u>\$ 13,256,103</u>	<u>\$ 16,470,577</u>
Total								<u>\$ 11,771,513</u>	<u>\$ 13,256,103</u>	<u>\$ 16,470,577</u>
School's covered employee payroll								\$ 2,563,929	\$ 2,474,124	\$ 2,262,360
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll								N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability								33.76%	33.64%	28.71%

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the School (employer) does not contribute directly to the plan, there is no net pension liability to report in the financial statements of the School.

**Public Employees' Retirement System (PERS)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
School's proportion of the net pension liability (asset) **								0.002902%	0.002993%	0.003092%
School's proportionate share of the net pension liability (asset) **								\$ 554,808	\$ 560,420	\$ 693,990
School's covered employee payroll								\$ 207,000	\$ 213,250	\$ 194,994
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll								268.02%	262.80%	355.90%
Plan fiduciary net position as a percentage of the total pension liability								48.72%	52.08%	47.93%

\* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Princeton Charter School  
 Schedule of School Contributions  
 Last Ten Fiscal Years\*

Exhibit C-5

Teachers' Pension and Annuity Fund (TPAF)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contractually required contribution **								N/A	N/A	N/A
Contributions in relation to the contractually required contribution **								N/A	N/A	N/A
Contribution deficiency (excess)								N/A	N/A	N/A
School's covered employee payroll								\$ 2,563,929	\$ 2,474,124	\$ 2,262,360
Contributions as a percentage of covered-employee payroll								N/A	N/A	N/A

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The School does not contribute to the plan.

Public Employees' Retirement System (PERS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contractually required contribution								\$ 21,873	\$ 24,676	\$ 26,579
Contributions in relation to the contractually required contribution								\$ (21,873)	\$ (24,676)	\$ (26,579)
Contribution deficiency (excess)								\$ --	\$ --	\$ --
School's covered employee payroll								\$ 207,000	\$ 213,250	\$ 194,994
Contributions as a percentage of covered-employee payroll								0.105666667	0.115713951	0.136306758

\* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Princeton Charter School  
Notes to Required Supplementary Information  
Pension Schedules  
Year Ended June 30, 2016**

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**Teachers' Pension and Annuity Fund (TPAF)**

*Changes of Benefit Terms*

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

*Changes of Assumptions*

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

**Public Employees' Retirement System (PERS)**

*Changes of Benefit Terms*

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

*Changes of Assumptions*

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL BASED BUDGET SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

**Princeton Charter School  
Special Revenue Fund  
Combining Schedule 2016**

Exhibit E-1

	<u>NCLB</u> <u>Title II Part A</u>	<u>NCLB</u> <u>Title I</u>	<u>IDEA</u> <u>Basic</u>	<u>IDEA</u> <u>Preschool</u>	<u>NJSIG</u> <u>Safety Grant</u>	<u>Other</u> <u>Misc.</u>	<u>Total</u> <u>6/30/2016</u>
<b>REVENUES</b>							
Local sources	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 44,277	\$ 44,277
State sources	--	--	--	--	2,500	--	2,500
Federal sources	4,209	23,434	51,203	991	--	--	79,837
<b>Total Revenues</b>	<b>\$ 4,209</b>	<b>\$ 23,434</b>	<b>\$ 51,203</b>	<b>\$ 991</b>	<b>\$ 2,500</b>	<b>\$ 44,277</b>	<b>\$ 126,614</b>
<b>EXPENDITURES</b>							
Support services:							
Purchased professional - educational services	\$ --	\$ --	\$ 51,203	\$ 991	\$ --	\$ --	\$ 52,194
Other purchased professional services	4,209	23,434	--	--	2,500	44,277	74,420
<b>Total Expenditures</b>	<b>\$ 4,209</b>	<b>\$ 23,434</b>	<b>\$ 51,203</b>	<b>\$ 991</b>	<b>\$ 2,500</b>	<b>\$ 44,277</b>	<b>\$ 126,614</b>



**CAPITAL PROJECTS FUND  
(NOT APPLICABLE)**

**PROPRIETARY FUNDS**

**ENTERPRISE FUND**

**Princeton Charter School  
Enterprise Fund  
Combining Statement of Net Position  
June 30, 2016**

**Exhibit G-1**

	<b>Food Service</b>	<b>After School Program</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ --	\$ 11,817	\$ 11,817
Other receivables	2,294	7,401	9,695
Receivables from other governments	1,353	--	1,353
Total current assets	<u>3,647</u>	<u>19,218</u>	<u>22,865</u>
Noncurrent assets:			
Equipment	18,820	--	18,820
Less: Accumulated depreciation	(4,793)	--	(4,793)
Total capital assets, net	<u>14,027</u>	<u>--</u>	<u>14,027</u>
Total assets	<u>17,674</u>	<u>19,218</u>	<u>36,892</u>
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft	9,843	--	9,843
Unearned revenue	7,515	--	7,515
Total current liabilities	<u>17,358</u>	<u>--</u>	<u>17,358</u>
<b>NET POSITION</b>			
Invested in capital assets net of related debt	14,027	--	14,027
Unrestricted	(13,711)	19,218	5,507
Total net position	<u>\$ 316</u>	<u>\$ 19,218</u>	<u>\$ 19,534</u>

**Princeton Charter School  
Enterprise Fund  
Combining Statement of Revenue, Expenses and Changes in Fund Net Position  
Year Ended June 30, 2016**

Exhibit G-2

	<u>Food Service</u>	<u>After School Program</u>	<u>Chess Program</u>	<u>After School Clubs</u>	<u>Total Enterprise</u>
Operating revenues:					
Charges for services:					
School lunch program	\$ 77,294	\$ --	\$ --	\$ --	\$ 77,294
Miscellaneous program revenue	--	76,590	12,583	11,774	100,947
Total operating revenues	<u>77,294</u>	<u>76,590</u>	<u>12,583</u>	<u>11,774</u>	<u>178,241</u>
Operating expenses:					
Cost of sales	71,560	--	--	--	71,560
Salaries	21,115	44,760	15,900	16,859	98,634
Miscellaneous program expense	--	--	--	1,275	1,275
Professional services	--	--	--	6,024	6,024
Supplies and materials	--	2,600	--	1,760	4,360
Depreciation	1,258	--	--	--	1,258
Total operating expenses	<u>93,933</u>	<u>47,360</u>	<u>15,900</u>	<u>25,918</u>	<u>183,111</u>
Operating (loss) income	<u>(16,639)</u>	<u>29,230</u>	<u>(3,317)</u>	<u>(14,144)</u>	<u>(4,870)</u>
Non-operating revenue:					
State sources:					
State school lunch program	618	--	--	--	618
Federal sources:					
National school lunch program	6,740	--	--	--	6,740
Total non-operating revenue	<u>7,358</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,358</u>
(Loss) income before transfers	<u>(9,281)</u>	<u>29,230</u>	<u>(3,317)</u>	<u>(14,144)</u>	<u>2,488</u>
Transfers (out) in	--	(17,461)	3,317	14,144	--
Change in net position	<u>(9,281)</u>	<u>11,769</u>	<u>--</u>	<u>--</u>	<u>2,488</u>
Total net position - beginning	<u>9,597</u>	<u>7,449</u>	<u>--</u>	<u>--</u>	<u>17,046</u>
Total net position - ending	<u>\$ 316</u>	<u>\$ 19,218</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,534</u>

**Princeton Charter School  
Enterprise Fund  
Combining Statement of Cash Flows  
Year Ended June 30, 2016**

Exhibit G-3

	<u>Food Service</u>	<u>After School Program</u>	<u>Chess Program</u>	<u>After School Clubs</u>	<u>Total Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 85,104	\$ 77,146	\$ 12,583	\$ 11,774	\$ 186,607
Payments to employees	(21,115)	(44,760)	(15,900)	(16,859)	(98,634)
Payments to suppliers	(71,560)	(3,108)	--	(9,059)	(83,727)
Net cash (used) provided by operating activities	<u>(7,571)</u>	<u>29,278</u>	<u>(3,317)</u>	<u>(14,144)</u>	<u>4,246</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
State sources	556	--	--	--	556
Federal sources	6,105	--	--	--	6,105
Cash (paid) received via operating transfers	--	(17,461)	3,317	14,144	--
Net cash provided (used) by non-capital financing activities	<u>6,661</u>	<u>(17,461)</u>	<u>3,317</u>	<u>14,144</u>	<u>6,661</u>
Net change in cash and cash equivalents	(910)	11,817	--	--	10,907
Balances—beginning of year	910	--	--	--	910
Balances—end of year	<u>\$ -</u>	<u>\$ 11,817</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,817</u>
<b>Reconciliation of operating (loss) income to net cash (used) provided by operating activities:</b>					
Operating (loss) income	\$ (16,639)	\$ 29,230	\$ (3,317)	\$ (14,144)	\$ (4,870)
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities					
Depreciation	1,258	--	--	--	1,258
Change in cash overdraft	9,843	(508)	--	--	9,335
Change in unearned revenue	(627)	--	--	--	(627)
Change in accounts receivable	(1,406)	556	--	--	(850)
Net cash (used) provided by operating activities	<u>\$ (7,571)</u>	<u>\$ 29,278</u>	<u>\$ (3,317)</u>	<u>\$ (14,144)</u>	<u>\$ 4,246</u>

**INTERNAL SERVICE FUND  
(NOT APPLICABLE)**

**FIDUCIARY FUNDS**



**Princeton Charter School  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2016**

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**Exhibit H-1**

	<u>Trust</u>	<u>Agency</u>
	Unemployment	Payroll
	Trust Fund	
<b>Assets</b>		
Cash and cash equivalents	\$ 4,891	\$ 2,094
Receivables from other governments:		
Federal	--	4,016
State	--	528
Total assets	<u>4,891</u>	<u>\$ 6,638</u>
<b>Liabilities</b>		
Prepaid employee FSA claims	--	3,638
Interfund payable	--	3,000
Total liabilities	<u>--</u>	<u>\$ 6,638</u>
<b>Net Position</b>		
Held in trust for unemployment claims	<u>\$ 4,891</u>	

**Princeton Charter School  
Payroll Agency Fund  
Schedule of Cash Receipts and Cash Disbursements  
Year Ended June 30, 2016**

**Exhibit H-4**

	Balance June 30, 2015	Cash Receipts	Cash Disbursements	Other Activity	Balance June 30, 2016
<b>ASSETS</b>					
Cash	\$ 2,726	\$ 3,749,152	\$ 3,749,784	\$ --	\$ 2,094
Payroll tax receivable - State of New Jersey	--	--	--	528	528
Payroll tax receivable - Federal	--	--	--	4,016	4,016
	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,544</u>	<u>4,544</u>
Total assets	<u>\$ 2,726</u>	<u>\$ 3,749,152</u>	<u>\$ 3,749,784</u>	<u>\$ 4,544</u>	<u>\$ 6,638</u>
<b>LIABILITIES</b>					
Held in reserve for FSA claims	\$ 2,726	\$ 10,700	\$ 9,788	\$ --	\$ 3,638
Interfund payable	--	--	--	3,000	3,000
Payroll deductions and withholdings	--	3,737,889	3,737,889	--	--
Total liabilities	<u>\$ 2,726</u>	<u>\$ 3,748,589</u>	<u>\$ 3,747,677</u>	<u>\$ 3,000</u>	<u>\$ 6,638</u>

**LONG-TERM DEBT  
(NOT APPLICABLE)**

## STATISTICAL SECTION

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

### **Financial Trends**

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

J-1 thru J-5

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

### **Debt Capacity**

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

J-10 thru J-13

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

### **Operating Information**

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

J-16 thru J-21

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

**Princeton Charter School  
Net Position by Component,  
Last Ten Fiscal Years  
Unaudited**  
*(accrual basis of accounting)*

**Exhibit J-1**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 3,525,026	\$ 4,111,298	\$ 2,225,967	\$ 5,242,157	\$ 5,121,531	\$ 5,004,850	\$ 4,957,173	\$ 4,819,417	\$ 3,925,810	\$ 3,582,973
Restricted	--	--	2,749,947	134,626	--	--	--	--	--	--
Unrestricted	59,908	105,796	77,418	131,891	151,389	441,515	471,291	487,216	342,234	450,774
<b>Total governmental activities net position</b>	<b>\$ 3,584,934</b>	<b>\$ 4,217,094</b>	<b>\$ 5,053,332</b>	<b>\$ 5,508,674</b>	<b>\$ 5,272,920</b>	<b>\$ 5,446,365</b>	<b>\$ 5,428,464</b>	<b>\$ 5,306,633</b>	<b>\$ 4,268,044</b>	<b>\$ 4,033,747</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 1,105	\$ 781	\$ 457	\$ 133	\$ --	\$ --	\$ 17,795	\$ 16,540	\$ 15,285	\$ 14,027
Restricted	--	--	--	--	--	--	--	--	--	--
Unrestricted	18,638	33,001	24,767	11,286	4,747	6,492	7,747	6,823	1,761	5,507
<b>Total business-type activities net position</b>	<b>\$ 19,743</b>	<b>\$ 33,782</b>	<b>\$ 25,224</b>	<b>\$ 11,419</b>	<b>\$ 4,747</b>	<b>\$ 6,492</b>	<b>\$ 25,542</b>	<b>\$ 23,363</b>	<b>\$ 17,046</b>	<b>\$ 19,534</b>
<b>Government-wide</b>										
Invested in capital assets, net of related debt	\$ 3,526,131	\$ 4,112,079	\$ 2,226,424	\$ 5,242,290	\$ 5,121,531	\$ 5,004,850	\$ 4,974,968	\$ 4,835,957	\$ 3,941,095	\$ 3,597,000
Restricted	--	--	2,749,947	134,626	--	--	--	--	--	--
Unrestricted	78,546	138,797	102,185	143,177	156,136	448,007	479,038	494,039	343,995	456,281
<b>Total school net position</b>	<b>\$ 3,604,677</b>	<b>\$ 4,250,876</b>	<b>\$ 5,078,556</b>	<b>\$ 5,520,093</b>	<b>\$ 5,277,667</b>	<b>\$ 5,452,857</b>	<b>\$ 5,454,006</b>	<b>\$ 5,329,996</b>	<b>\$ 4,285,090</b>	<b>\$ 4,053,281</b>

Source: Schedule A-1 and School records

Note: GASB 63 was implemented during the 2014 fiscal year, which required reclassification of balances previously reported as net assets to net position.

**Princeton Charter School**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 2,423,580	\$ 2,614,650	\$ 2,663,732	\$ 2,971,546	\$ 2,685,878	\$ 2,949,759	\$ 3,137,509	\$ 3,189,500	\$ 3,618,617	\$ 3,953,523
Special education	40,062	--	--	--	--	--	--	--	--	--
Other instruction	320	23,503	30,668	59,775	59,986	59,722	--	--	--	--
Support services										
Student & instruction related services	27,925	87,640	72,543	88,880	100,400	81,823	233,646	326,853	560,201	329,174
School administrative services	2,108	--	--	--	--	--	--	--	--	--
General administrative services	424,787	559,425	690,588	647,099	1,047,591	1,023,426	1,083,136	1,110,063	1,228,372	1,306,584
Plant operations and maintenance	747,166	445,182	624,803	611,299	483,691	617,157	580,042	634,119	695,803	674,854
Pupil transportation	12,910	16,387	20,879	25,654	13,594	12,518	10,157	14,222	12,446	11,958
Interest on long-term debt	252,357	228,195	468,286	60,394	352,690	339,570	327,663	313,140	313,193	260,692
Sinking fund	--	--	238,140	394,915	--	--	--	--	--	--
Unallocated depreciation	193,889	200,432	240,594	297,646	474,303	486,583	490,996	496,918	496,953	497,495
Total governmental activities expenses	<u>4,125,104</u>	<u>4,175,414</u>	<u>5,050,233</u>	<u>5,157,208</u>	<u>5,218,133</u>	<u>5,570,558</u>	<u>5,863,149</u>	<u>6,084,815</u>	<u>6,925,585</u>	<u>7,034,280</u>
Business-type activities:										
Food service	85,955	89,850	101,230	114,095	127,178	120,753	59,438	96,982	94,412	93,933
Chess program	--	--	--	--	--	12,250	17,950	11,850	13,686	15,900
Summer camps	--	--	--	--	--	13,151	19,367	--	--	--
After school program	29,010	24,042	49,178	50,608	46,316	34,146	33,227	43,715	52,842	47,360
After school clubs	--	--	--	--	--	--	7,100	12,490	18,544	25,918
Total business-type activities expense	<u>114,965</u>	<u>113,892</u>	<u>150,408</u>	<u>164,703</u>	<u>173,494</u>	<u>180,300</u>	<u>137,082</u>	<u>165,037</u>	<u>179,484</u>	<u>183,111</u>
Total school expenses	<u>\$ 4,240,069</u>	<u>\$ 4,289,306</u>	<u>\$ 5,200,641</u>	<u>\$ 5,321,911</u>	<u>\$ 5,391,627</u>	<u>\$ 5,750,858</u>	<u>\$ 6,000,231</u>	<u>\$ 6,249,852</u>	<u>\$ 7,105,069</u>	<u>\$ 7,217,391</u>
<b>Program Revenues</b>										
Governmental activities:										
Operating grants and contributions	\$ 197,958	\$ 313,934	\$ 249,844	\$ 378,230	\$ 486,230	\$ 465,918	\$ 608,485	\$ 554,157	\$ 1,132,893	\$ 1,359,703
Capital grants and contributions	--	--	769,832	690,029	--	--	--	--	--	--
Total governmental activities program revenues	<u>197,958</u>	<u>313,934</u>	<u>1,019,676</u>	<u>1,068,259</u>	<u>486,230</u>	<u>465,918</u>	<u>608,485</u>	<u>554,157</u>	<u>1,132,893</u>	<u>1,359,703</u>
Business-type activities:										
Charges for services										
Food service	\$ 51,390	\$ 58,560	\$ 73,512	\$ 90,780	\$ 109,891	\$ 108,007	\$ 37,104	\$ 74,650	\$ 76,947	\$ 77,294
Chess program	--	--	--	--	--	10,871	10,881	7,982	8,551	12,583
Summer camp	--	--	--	--	--	13,151	19,367	--	--	--
After school program	29,681	39,651	49,130	49,222	47,905	41,364	46,811	58,519	64,092	76,590
After school clubs	--	--	--	--	--	--	7,100	12,088	4,502	11,774
Operating grants and contributions	9,603	9,720	10,398	10,896	9,026	8,653	4,870	9,619	8,375	7,358
Total business type activities program revenues	<u>90,674</u>	<u>107,931</u>	<u>133,040</u>	<u>150,898</u>	<u>166,822</u>	<u>182,046</u>	<u>126,133</u>	<u>162,858</u>	<u>162,467</u>	<u>185,599</u>
Total school program revenues	<u>\$ 288,632</u>	<u>\$ 421,865</u>	<u>\$ 1,152,716</u>	<u>\$ 1,219,157</u>	<u>\$ 653,052</u>	<u>\$ 647,964</u>	<u>\$ 734,618</u>	<u>\$ 717,015</u>	<u>\$ 1,295,360</u>	<u>\$ 1,545,302</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (3,927,146)	\$ (3,861,480)	\$ (4,030,557)	\$ (4,088,949)	\$ (4,731,903)	\$ (5,104,640)	\$ (5,254,664)	\$ (5,530,658)	\$ (5,792,692)	\$ (5,674,577)
Business-type activities	(24,291)	(5,961)	(17,458)	(13,805)	(6,672)	1,746	(10,949)	(2,179)	(17,017)	2,488
Total school-wide net expense	<u>\$ (3,951,437)</u>	<u>\$ (3,867,441)</u>	<u>\$ (4,048,015)</u>	<u>\$ (4,102,754)</u>	<u>\$ (4,738,575)</u>	<u>\$ (5,102,894)</u>	<u>\$ (5,265,613)</u>	<u>\$ (5,532,837)</u>	<u>\$ (5,809,709)</u>	<u>\$ (5,672,089)</u>

**Princeton Charter School  
Changes in Net Position  
Last Ten Fiscal Years  
Unaudited**  
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 2,397,684	\$ 2,542,263	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Local property taxes - charter school aid	--	--	4,427,325	4,369,487	4,244,470	4,446,092	4,571,071	4,675,523	4,819,869	4,792,581
State share	1,619,154	1,941,611	434,848	149,697	230,994	803,033	666,216	563,152	457,516	499,827
Investment earnings	26,739	17,198	17,037	10,393	1,470	--	--	--	--	--
Grants and contributions not restricted to specific programs	--	--	--	--	--	--	--	125,000	50,000	50,000
Miscellaneous income	13,753	12,568	50,283	14,714	19,216	28,690	29,746	45,152	48,977	97,872
Special item - cancellation of account payable	--	--	--	--	--	--	--	--	--	--
Transfers	(39,000)	(20,000)	(8,900)	--	--	--	(30,000)	--	--	--
Total governmental activities	4,018,330	4,493,640	4,920,593	4,544,291	4,496,150	5,277,815	5,237,033	5,408,827	5,376,362	5,440,280
Business-type activities:										
Transfers	39,000	20,000	8,900	--	--	--	30,000	--	--	--
Total school-wide	<u>\$ 4,057,330</u>	<u>\$ 4,513,640</u>	<u>\$ 4,929,493</u>	<u>\$ 4,544,291</u>	<u>\$ 4,496,150</u>	<u>\$ 5,277,815</u>	<u>\$ 5,267,033</u>	<u>\$ 5,408,827</u>	<u>\$ 5,376,362</u>	<u>\$ 5,440,280</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 91,184	\$ 632,160	\$ 890,036	\$ 455,342	\$ (235,753)	\$ 173,175	\$ (17,631)	\$ (121,831)	(416,330)	\$ (234,297)
Business-type activities	14,709	14,039	(8,558)	(13,805)	(6,672)	1,746	19,051	(2,179)	(17,017)	2,488
Total school	<u>\$ 105,893</u>	<u>\$ 646,199</u>	<u>\$ 881,478</u>	<u>\$ 441,537</u>	<u>\$ (242,425)</u>	<u>\$ 174,921</u>	<u>\$ 1,420</u>	<u>\$ (124,010)</u>	<u>\$ (433,347)</u>	<u>\$ (231,809)</u>

Source: Schedule A-2 and School records

**Princeton Charter School**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 25,000	\$ 25,000	\$ 18,000	\$ 118,899	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved	54,069	89,378	59,418	12,992	--	--	--	--	--	--
Assigned	--	--	--	--	19,500	219,500	--	--	--	--
Unassigned	--	--	--	--	131,889	222,015	471,291	487,216	262,970	434,511
Total general fund	<u>\$ 79,069</u>	<u>\$ 114,378</u>	<u>\$ 77,418</u>	<u>\$ 131,891</u>	<u>\$ 151,389</u>	<u>\$ 441,515</u>	<u>\$ 471,291</u>	<u>\$ 487,216</u>	<u>\$ 262,970</u>	<u>\$ 434,511</u>
All other governmental funds										
Capital projects fund	\$ --	\$ --	\$ 4,522,811	\$ 134,626	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

Source: Schedule B-1 and School records

**Notes:**

GASB 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications than those presented in prior years. Prior years have not been restated above, nor are they required to be restated.



**Princeton Charter School**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(modified accrual basis of accounting)*

**Exhibit J-4**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Equalization aid	\$ 2,397,684	\$ 2,543,431	\$ 4,427,325	\$ 4,369,487	\$ 4,244,470	\$ 4,446,092	\$ 4,571,071	\$ 4,675,523	\$ 4,819,869	\$ 4,792,581
Interest earnings	26,739	17,198	17,037	10,393	1,470	--	--	--	--	--
Sinking fund	--	--	239,124	--	--	--	--	--	--	--
Donations	--	--	--	--	--	--	--	--	--	--
Grants and contributions not restricted to specific programs	--	--	--	--	--	--	--	125,000	50,000	50,000
Miscellaneous	13,753	12,568	589,994	309,828	19,216	33,690	29,746	45,152	179,584	142,149
State sources	1,764,219	2,200,237	748,368	475,375	595,314	1,212,445	1,222,265	1,067,241	1,057,961	1,162,554
Federal sources	52,893	54,140	45,885	52,552	121,910	51,506	52,436	50,068	53,081	79,837
<b>Total revenue</b>	<b>4,255,288</b>	<b>4,827,574</b>	<b>6,067,733</b>	<b>5,217,635</b>	<b>4,982,380</b>	<b>5,743,733</b>	<b>5,875,518</b>	<b>5,962,984</b>	<b>6,160,495</b>	<b>6,227,121</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	2,099,224	2,150,635	2,300,142	2,453,948	2,176,734	2,354,910	2,389,177	2,508,190	2,598,349	2,592,214
Special education instruction	40,062	--	--	--	--	--	--	--	--	--
<b>Support services</b>										
Student and instruction related services	--	44,773	30,997	45,718	56,397	51,506	182,090	194,568	364,256	244,639
General administrative services	396,163	523,044	625,141	550,987	872,090	830,304	873,232	902,924	930,903	939,473
Plant operations and maintenance	731,889	432,869	603,720	575,829	453,840	583,396	535,571	591,654	637,584	608,645
Pupil transportation	7,854	11,331	15,823	20,598	10,515	12,518	10,157	14,222	12,446	11,958
Employee benefits	345,470	512,125	572,027	692,631	756,398	862,787	494,891	542,113	599,962	612,710
On Behalf Contributions	--	--	--	--	--	--	515,078	459,934	552,265	619,276
Construction	--	--	--	3,335,100	136,096	--	--	--	--	--
Construction in progress	--	--	3,148,953	--	--	--	--	--	--	--
Capital outlay	203,603	63,685	309,018	438,193	119,071	131,359	188,922	109,173	64,479	22,217
<b>Debt service</b>										
Mortgage payments-principal	271,443	795,029	183,157	--	163,677	287,258	298,961	311,141	323,818	183,726
Interest on mortgage note payable	253,637	238,774	476,868	60,394	352,690	339,570	327,663	313,140	300,679	220,722
<b>Total expenditures</b>	<b>4,349,345</b>	<b>4,772,265</b>	<b>8,265,846</b>	<b>8,173,398</b>	<b>5,097,508</b>	<b>5,453,608</b>	<b>5,815,742</b>	<b>5,947,059</b>	<b>6,384,741</b>	<b>6,055,580</b>
Excess (deficiency) of revenues over (under) expenditures	(94,057)	55,309	(2,198,113)	(2,955,763)	(115,128)	290,125	59,776	15,925	(224,246)	171,541
<b>Other financing sources (uses)</b>										
Special item- cancellation of accounts payable	--	--	--	--	--	--	--	--	--	--
Loan proceeds	--	--	4,920,000	--	--	--	--	--	720,855	--
Debt issuance costs	--	--	--	--	--	--	--	--	(92,141)	--
Loss on refunding	--	--	--	--	--	--	--	--	(616,200)	--
Mortgage note payments - interest	--	--	--	--	--	--	--	--	(12,514)	--
Transfers in	--	--	80,000	29,750	--	--	--	--	--	--
Transfers out	(39,000)	(20,000)	(88,900)	(29,750)	--	--	(30,000)	--	--	--
<b>Total other financing sources (uses)</b>	<b>(39,000)</b>	<b>(20,000)</b>	<b>4,911,100</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(30,000)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net change in fund balances</b>	<b>\$ (133,057)</b>	<b>\$ 35,309</b>	<b>\$ 2,712,987</b>	<b>\$ (2,955,763)</b>	<b>\$ (115,128)</b>	<b>\$ 290,125</b>	<b>\$ 29,776</b>	<b>\$ 15,925</b>	<b>\$ (224,246)</b>	<b>\$ 171,541</b>
Debt service as a percentage of non-capital expenditures	14.50%	28.13%	16.03%	1.39%	11.94%	13.35%	12.53%	11.97%	10.96%	7.19%

Source: Schedule B-2

**Princeton Charter School**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(modified accrual basis of accounting)*

**Exhibit J-5**

Fiscal Year Ending June 30,	Equalization Aid	Interest on Investments	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Annual Totals
2007	\$ 2,397,684	\$ 26,739	\$ 13,753	\$ --	\$ 2,438,176
2008	\$ 2,543,431	\$ 17,198	\$ 12,568	\$ --	\$ 2,573,197
2009	\$ 4,427,325	\$ 17,037	\$ 50,283	\$ --	\$ 4,494,645
2010	\$ 4,369,487	\$ 10,393	\$ 14,714	\$ --	\$ 4,394,594
2011	\$ 4,244,470	\$ --	\$ 19,216	\$ --	\$ 4,263,686
2012	\$ 4,446,092	\$ --	\$ 28,690	\$ --	\$ 4,474,782
2013	\$ 4,571,071	\$ --	\$ 24,746	\$ --	\$ 4,595,817
2014	\$ 4,675,523	\$ --	\$ 45,152	\$ 125,000	\$ 4,845,675
2015	\$ 4,819,869	\$ --	\$ 48,977	\$ 50,000	\$ 4,918,846
2016	\$ 4,792,581	\$ --	\$ 97,872	\$ 50,000	\$ 4,940,453

Source: School records

Princeton Charter School  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities					Business-Type Activities		Total School	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Loans Payable	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2007	\$ --	\$ --	\$ 4,478,186	\$ --	\$ --	\$ --	\$ 4,478,186	0.28%	\$ 145.77	
2008	\$ --	\$ --	\$ 3,683,157	\$ --	\$ --	\$ --	\$ 3,683,157	0.22%	\$ 119.29	
2009	\$ --	\$ --	\$ 8,420,000	\$ --	\$ --	\$ --	\$ 8,420,000	0.50%	\$ 273.31	
2010	\$ --	\$ --	\$ 8,420,000	\$ --	\$ --	\$ --	\$ 8,420,000	0.51%	\$ 273.51	
2011	\$ --	\$ --	\$ 8,256,323	\$ --	\$ --	\$ --	\$ 8,256,323	0.53%	\$ 288.72	
2012	\$ --	\$ --	\$ 7,969,065	\$ --	\$ --	\$ --	\$ 7,969,065	0.50%	\$ 283.37	
2013	\$ --	\$ --	\$ 7,670,104	\$ --	\$ --	\$ --	\$ 7,670,104	0.45%	\$ 267.26	
2014	\$ --	\$ --	\$ 7,358,963	\$ --	\$ --	\$ --	\$ 7,358,963	0.44%	\$ 253.09	
2015	\$ --	\$ --	\$ 7,756,000	\$ --	\$ --	\$ --	\$ 7,756,000	0.45%	\$ 266.50	
2016	\$ --	\$ --	\$ 7,572,274	\$ --	\$ --	\$ --	\$ 7,572,274	N/A	N/A	

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

- a** See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan ("ERIP") refunding.

**Princeton Charter School  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2006	30,721	\$ 1,583,944,039	\$ 51,559	3.60%
2007	30,876	\$ 1,645,629,048	\$ 53,298	4.40%
2008	30,808	\$ 1,697,952,112	\$ 55,114	4.80%
2009	30,785	\$ 1,636,068,825	\$ 53,145	8.30%
2010	28,596	\$ 1,561,341,600	\$ 54,600	8.30%
2011	28,122	\$ 1,602,138,462	\$ 56,971	8.10%
2012	28,699	\$ 1,707,820,092	\$ 59,508	5.40%
2013	29,076	\$ 1,666,723,548	\$ 57,323	3.90%
2014	29,103	\$ 1,742,542,125	\$ 59,875	3.70%
2015	29,603	N/A	N/A	3.10%

**Source:**

<sup>a</sup> Population information provided by the NJ Department of Education

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by county (Mercer County) based on Census Bureau mid-year population estimates

Princeton Charter School  
Principal Employers,  
Current Year and Nine Years Ago  
Princeton  
Unaudited

Exhibit J-15

<b>2016</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Municipal Employment</b>
Johnson Controls Inc	69,000	1	78.32%
Princeton University	4,500	2	5.11%
Bristol-Myers Squibb	4,500	3	5.11%
Deloitte	3,000	4	3.41%
Covance Inc	2,001	5	2.27%
D J Cash Management Inc	1,500	6	1.70%
Munich Reinsurance America Inc	1,001	7	1.14%
Citiustech Inc	1,001	8	1.14%
AECOM	1,000	9	1.14%
Educational Testing Svc	600	10	0.66%
	<u>88,103</u>		<u>100.00%</u>

Source: ReferenceUSA database

<b>2007</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Municipal Employment</b>
Trustees of Princeton University	5,245	1	54.23%
University Medical Center at Princeton	2,500	2	25.85%
Church & Dwight Co.	600	3	6.20%
Princeton Public Schools	563	4	5.82%
Princeton Plasma Physics Lab	485	5	5.01%
Princeton Theological Seminary	280	6	2.89%
	<u>9,673</u>		<u>100.00%</u>

**Princeton Charter School  
 Full-time Equivalent School Employees by Function/Program,  
 Last Ten Fiscal Years  
 Unaudited**

**Exhibit J-16**

<b><u>Function/Program</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Instruction										
Regular	25	28	28	28	28	28	28	30	28	30
Other special education	4	3	4	4	4	4	5	5	6	2
Support Services										
School counselor	--	--	--	1	1	1	1	1	1	1
General administration and business services	2	2	3	3	3	3	3	3	4	4
School administrative services	2	2	2	3	3	3	3	4	5	5
Plant operations and maintenance	1	1	1	1	1	1	1	1	1	1
<b>Total</b>	<b><u>34</u></b>	<b><u>36</u></b>	<b><u>38</u></b>	<b><u>40</u></b>	<b><u>40</u></b>	<b><u>40</u></b>	<b><u>41</u></b>	<b><u>44</u></b>	<b><u>45</u></b>	<b><u>43</u></b>

**Source:** School personnel records

Princeton Charter School  
 Operating Statistics,  
 Last Ten Fiscal Years  
 Unaudited

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	289	\$ 3,620,622	\$ 12,528	20.27%	29	10:1	289.0	280	1.05%	96.89%
2008	293	\$ 3,674,777	\$ 12,542	0.11%	31	10:1	293.0	283	1.38%	96.59%
2009	318	\$ 4,147,850	\$ 13,044	4.00%	32	10:1	318.0	305	8.53%	95.91%
2010	344	\$ 4,339,711	\$ 12,615	-3.28%	32	11:1	344.0	331	8.18%	96.22%
2011	344	\$ 4,325,974	\$ 12,576	-0.32%	32	11:1	343.9	334	-0.03%	97.15%
2012	344	\$ 4,695,421	\$ 13,649	8.54%	32	11:1	344.0	333	0.03%	96.86%
2013	344	\$ 5,000,196	\$ 14,535	6.49%	33	11:1	344.1	332	0.03%	96.48%
2014	344	\$ 5,213,605	\$ 15,156	4.27%	35	10:1	344.0	332	-0.03%	96.51%
2015	348	\$ 5,695,765	\$ 16,367	7.99%	34	11:1	347.2	335	0.93%	96.49%
2016	348	\$ 5,628,915	\$ 16,175	-1.17%	34	11:1	347.7	336	0.14%	96.64%

**Sources:** School records and Schedules J-4 and J-16

**Note:** Enrollment based on final June enrollment 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").

**Princeton Charter School  
School Building Information  
Last Ten Fiscal Years  
Unaudited**

**Exhibit J-18**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>Charter School Buildings</u></b>										
Multi-Purpose Campus Center										
Square Feet	N/A	N/A	N/A	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Capacity (Students)	N/A	N/A	N/A	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
K-4 School Building (2003)										
Square Feet	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800
Capacity (students)	110	110	135	159	159	159	159	159	159	159
Enrollment	107	107	132	156	156	156	156	156	159	159
5-8 School Building (1963)										
Square Feet	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800
Capacity (students)	186	186	188	188	188	188	188	188	188	188
Enrollment <sup>a</sup>	183	186	188	188	188	188	188	188	188	188
Business Office Building -Marsee Center (1879)										
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Number of Schools at June 30, 2016										
Elementary = 1										
Middle School = 1										

**Source:** School Facilities Office

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



**Princeton Charter School  
Insurance Schedule (Unaudited)  
June 30, 2016**

**Exhibit J-20**

	Coverage	Deductible
School Package Policy - N.J. School Boards Association Insurance Group:		
Property:		
Blanket building and contents	\$ 14,534,736	\$ 1,000
Blanket extra expense	\$ 50,000,000	\$ 1,000
Blanket valuable papers and records	\$ 10,000,000	\$ 1,000
Business Income	\$ 3,000,000	\$ 1,000
Loss of rents	\$ 31,000	\$ 1,000
Flood - zones A & V- Pool Aggregate	\$ 20,000	\$ 500,000
Flood - all other	\$ 75,000,000	\$ 10,000
EDP:		
Blanket hardware/software	\$ 250,000	\$ 1,000
Blanket extra expense	Included	\$ --
Equipment Breakdown:		
Property Damage & Extra Expense	\$ 100,000,000	\$ 1,000
Crime:		
Public employee dishonesty	\$ 250,000	\$ 1,000
Forgery or alteration	\$ 250,000	\$ 1,000
Computer fraud	\$ 250,000	\$ 1,000
Money orders & counterfeit papers	\$ 50,000	\$ 500
Loss of money & securities	\$ 50,000	\$ 500
General Liability:		
Each Occurrence CSL	\$ 16,000,000	\$ --
Products/Completed Ops Ann Agg	\$ 16,000,000	\$ --
Sexual abuse per occ	\$ 16,000,000	\$ --
Sexual abuse annual pool agg	\$ 17,000,000	\$ --
Personal injury & advertising injury	\$ 16,000,000	\$ --
Employee benefits	\$ 16,000,000	\$ 1,000
Medical Payments	\$ 10,000	\$ --
Automobile:		
Comprehensive automobile liability	\$ 16,000,000	\$ --
Errors and Omissions - N.J. School Boards Association Insurance Group	\$ 16,000,000	\$ 10,000
Boiler and Machinery - N.J. School Boards Association Insurance Group	\$ 100,000,000	\$ 1,000
Workers Compensation - ERIC NORTH SUB-FUND		
Bodily Injury by Accident	\$ 2,000,000	Each Acc.
Bodily Injury by Disease	\$ 2,000,000	Each Employee
Bodily Injury by Disease	\$ 2,000,000	Agg. Limit
Supplemental Workers Compensation -N.J. School Boards Association Insurance Group:		
Maximum weekly benefit (52 weeks Maximun Benefit Period)	\$ 2,500	\$ --
Student Accident Insurance		
Basic sports K-8	\$ 5,000,000	\$ --
Volunteer Coverage	\$ 25,000	\$ --
Bond	Robert Long	\$ 175,000
Group Catastrophe Access Program		
Limit each occurrence	\$ 50,000,000	\$ --
Aggregate	\$ 150,000,000	\$ --

**Princeton Charter School  
Governmental Funds  
Financial Performance – Fiscal Ratios (Unaudited)  
June 30, 2016**

**Exhibit J-21**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	
Cash	\$ 427,747	\$ 295,007	\$ 348,890	
Current assets	588,334	369,067	606,860	
Total assets and deferred outflows	13,479,980	12,898,352	13,232,980	
Current liabilities	101,118	106,097	99,321	
Total liabilities	8,173,347	8,596,910	9,188,075	
Net position	5,306,633	4,268,044	4,033,747	
Total revenue	5,962,984	6,160,495	6,227,121	
Total expenses	5,947,059	6,384,741	6,055,580	
Change in net position	(121,831)	(508,471)	(234,297)	
Depreciation expense	558,070	561,049	548,780	
Principal debt payments	311,141	323,818	183,726	
Interest payments	313,140	300,679	220,722	
Final average daily enrollment	344.4	347.2	347.7	
March 30th budgeted enrollment	348	348	348	
Near term indicators	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Three Year Cumulative</b>
Current ratio	5.82	3.48	6.11	5.14
Unrestricted days cash	26.25	16.86	21.03	21.38
Enrollment variance	99.0%	99.8%	99.9%	99.5%
Default	No	No	No	
Sustainability indicators				
Total margin	-2.04%	-8.25%	-3.76%	-4.69%
Debt to asset	0.58	0.64	0.64	0.62
Cash flow	(108,403)	(132,740)	53,883	(62,420)
Debt service coverage ratio	1.18	1.33	1.25	1.25

**SINGLE AUDIT SECTION**

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements 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 Princeton Charter School as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Princeton Charter School's basic financial statements and have issued our report thereon dated December 1, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Princeton 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 Princeton Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Princeton 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 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.

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

**Compliance and Other Matters**


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

## Purpose of this Report

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

December 1, 2016  
New Brunswick, NJ

WithumSmith+Brown, PC



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James J. Decker  
Licensed Public School Accountant #2502  
Certified Public Accountant

**Princeton Charter School  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

Schedule A

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Award Amount	Balance at June 30, 2015	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2016		
			From	To							Accounts Receivable	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>													
<b>Passed-through State Department of Education</b>													
NCLB Consolidated													
Title II Part A	84.010	NCLB-7540-16	7/1/2015	6/30/2016	4,209	--	4,209	(4,209)	--	--	--	--	--
Title I Part A	84.010	NCLB-7540-16	7/1/2015	6/30/2016	23,434	--	23,434	(23,434)	--	--	--	--	--
Special Education Cluster													
I.D.E.A Part B, Preschool Regular	84.027	IDEA-7540-16	7/1/2015	6/30/2016	991	--	991	(991)	--	--	--	--	--
I.D.E.A Part B, Basic Regular	84.027	IDEA-7540-16	7/1/2015	6/30/2016	51,203	--	51,203	(51,203)	--	--	--	--	--
Total U.S. Department of Education						<u>\$ --</u>	<u>\$ 79,837</u>	<u>\$ (79,837)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>U.S. Department of Agriculture</b>													
<b>Passed-through State Department of Education</b>													
Enterprise Fund:													
National School Lunch Program	10.555	N/A	7/1/2014	6/30/2015	7,701	(602)	602	--	--	--	--	--	--
National School Lunch Program	10.555	N/A	7/1/2015	6/30/2016	6,740	--	5,503	(6,740)	--	--	(1,237)	--	--
Total U.S. Department of Agriculture						<u>\$ (602)</u>	<u>\$ 6,105</u>	<u>\$ (6,740)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (1,237)</u>	<u>\$ --</u>	<u>\$ --</u>
Total Federal Awards Assistance						<u>\$ (602)</u>	<u>\$ 85,942</u>	<u>\$ (86,577)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (1,237)</u>	<u>\$ --</u>	<u>\$ --</u>

**Princeton Charter School  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2016**

Schedule B

State Grantor / Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015			Cash Received	Budgetary Expenditures	Adjustments / Repayment of Prior Years' Balances	Balance June 30, 2016			MEMO		
				Unearned Revenue (Accounts Receivable)	Due to Grantor	Carryover / (Walkover) Amount				(Accounts Receivable)	Unearned Revenue / Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:															
General Fund:															
Charter School Adjustment Aid	(A)	7/1/15- 6/30/16	420,369	\$ --	\$ --	\$ --	\$420,369	\$ (420,369)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (420,369)
Non-Public Aid	(A)	7/1/15- 6/30/16	54,199	--	--	--	54,199	(54,199)	--	--	--	--	--	--	(54,199)
Security Aid	(B)	7/1/15- 6/30/16	25,259	--	--	--	25,259	(25,259)	--	--	--	--	--	--	(25,259)
Special Education Aid	(B)	7/1/15- 6/30/16	40,951	--	--	--	40,951	(40,951)	--	--	--	--	--	--	(40,951)
TPAF Social Security Aid (Reimbursed)	15-495-034-5094-003	7/1/14- 6/30/15	187,722	(9,208)	--	--	9,208	--	--	--	--	--	--	--	--
TPAF Social Security Aid (Reimbursed)	16-495-034-5094-003	7/1/15- 6/30/16	186,461	--	--	--	187,586	(186,461)	--	--	(1,125)	--	--	--	(186,461)
Enterprise Fund:															
State Lunch Program	15-100-010-3350-023	7/1/14- 6/30/15	674	(54)	--	--	54	--	--	--	--	--	--	--	--
State Lunch Program	16-100-010-3350-023	7/1/15- 6/30/16	618	--	--	--	734	(618)	--	--	(116)	--	--	--	(618)
Total State Awards				\$ (9,262)	\$ --	\$ --	\$738,360	\$ (727,857)	\$ --	\$ (116)	\$ (1,125)	\$ --	\$ --	\$ (727,857)	

(A) Consists of State Charter School Adjustment Aid and Non-Public Aid

(B) Unidentified

**Princeton Charter School**  
**Notes to Schedules of Expenditures of Federal and State Awards**  
**June 30, 2016**

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**1. General**

The accompanying schedules of expenditures of federal and state awards include federal and state award activities of Princeton Charter School. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School's basic financial statements. The information in these schedules is presented in accordance with the requirements of NJ Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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 special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. There were no differences between this budgeting basis and GAAP for this current fiscal year. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF pension contributions revenue of \$432,815.

Awards are reported on the School's basic financial statements on a GAAP basis as presented below:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ --	\$ 727,239	\$ 727,239
Special Revenue Fund	79,837	--	79,837
Enterprise Fund	<u>6,740</u>	<u>618</u>	<u>7,358</u>
Total Financial Assistance/Awards	<u>\$ 86,577</u>	<u>\$ 727,857</u>	<u>\$ 814,434</u>

**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.

**5. Federal and State Loans Outstanding**

Princeton Charter School has the following federal and state loans outstanding at June 30, 2016:

<b>Loan Program Title</b>	<b>Amount Outstanding</b>
Peapack-Gladstone EDA loan	\$ 7,220,657



**Princeton Charter School**  
**Notes to Schedules of Expenditures of Federal and State Awards**  
**June 30, 2016**

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**6. Indirect Costs**

The School does not have a federally negotiated indirect cost rate and has not elected to use the 10 percent de minimis cost rate as allowed in section 200.414 in the Uniform Guidance.

**7. Other**

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2016.

**Princeton Charter School  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

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**Summary of Auditors' Results**

- An unmodified report was issued on the School's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the School.
- The audit did not disclose any non-compliance which is material in relation to the financial statements of the School.
- The School was not subject to the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJ Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* as federal and state grant expenditures were less than the threshold of \$750,000 identified in the circular.

**Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

- The audit did not disclose any findings required to be reported under Generally Accepted Auditing Standards.

**Findings and Questioned Costs for Federal Awards**

- Not applicable since federal expenditures were below the \$750,000 threshold.

**Findings and Questioned Costs for State Awards**

- Not applicable since state expenditures were below the \$750,000 threshold.

**Princeton Charter School  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016**

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**Status of Prior Year Findings**

There were no prior year findings.