

GREAT OAKS



CHARTER SCHOOLS

Great oaks, from little acorns grow



**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015
PREPARED BY**

GREAT OAKS CHARTER SCHOOL

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24 Maiden Lane, Newark, NJ 07102 * Telephone (973) 565-9170

August 31, 2015

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Great Oaks Charter School (the “Charter School” or “GOCS”) for the year ended June 30, 2015.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Great Oaks Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments and the U.S. Office of Management and Budget Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey OMB’s Circulars 04-04 and 15-08, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”. Information related to this single audit, including the auditor’s report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Great Oaks Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

Great Oaks Charter School is an open-admission, tuition-free public school option for 6th through 12th graders. Our mission is to prepare our students to **succeed in college**. Great Oaks Charter School is located in Newark, New Jersey. The school is inspired by the successful program at the MATCH School in Boston, along with other high-performing college-preparatory charter schools. MATCH is a middle and high school serving a high needs population – 93% minority, 77% living below the poverty line – with consistent success. 99% of the students who’ve graduated MATCH over the last 7 years have been accepted into four-year colleges and last year was ranked by *Newsweek* as the 51st best high school in the country. MATCH succeeds by combining high academic expectations with personal attention to the needs of each student.

The name of the school comes from a phrase first attributed to Chaucer nearly 650 years ago – “Great oaks, from little acorns grow.” It is our conviction that a school must grow to become a part of the community it wishes to serve. Great Oaks Charter School will be a place for growth in three key ways: First and foremost, we will help our students to gain the skills, knowledge and habits of mind to succeed in college. Second, we will help our teachers and staff to grow and develop as educators. Finally, our school community – parents, grandparents, extended family members, trustees, staff and students – will grow and become a presence in the Newark neighborhood where we will put down roots.

2) ENROLLMENT OUTLOOK

In its fourth year of operation, Great Oaks Charter School served 331 students in grades 6-10 and we will go on to add a grade each year to serve 539 students in grades 6-12 in the sixth year. The charter school completed its first initial charter period of four years during the current school year ended June 30, 2015. The state of New Jersey renewed its charter for another five years through June 30, 2020 and also increased enrollment per grade from 67 to 77. The school's first cohort will graduate in the spring of 2017.

Great Oaks Charter School's approach is distinctive in several key ways:

- **Tight-knit *small school*:** Grade cohorts of 77 and a full-scale size of 539 will allow us to develop an intimate community, where every student feels known and cared about.
- ***Effective teachers*:** We will budget the funds to attract the best staff with competitive salaries.
- ***More time on task*.** Our school day will run from 7:50 am to 5:30 pm and our Summer Academy for students who failed a course the year prior will run for 5 weeks during summer vacation.
- ***High expectations*** for each of our students. Students must earn a 70% to pass a course and every student will be required to take Advanced Placement courses and to enroll in a college course during their senior year.

3) ECONOMIC CONDITION AND OUTLOOK

The Charter School is located in the City of Newark, which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company.

Newark is the site of the Rutgers University School of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

3) ECONOMIC CONDITION AND OUTLOOK - *continued*

The City of Newark has been obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of the redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. As our enrollment increases we plan to lease additional facilities at our current location and possibly in surrounding areas in the City.

4) MAJOR INITIATIVES

Great Oaks has made a commitment to serving all students, especially the highest needs students, and is committed to continuous self-evaluation and improvement in our outreach to the Newark students most in need of a rigorous college-preparatory middle and high school program. Our commitment is evident in all aspects of outreach and our educational program, including:

- All recruitment materials printed in English and Spanish
- Multiple methods of applying to the school – by mail, online, in person
- Blanket mailings to families in the ZIP codes surrounding the school location
- Certified Special Education Coordinator from first day of operation
- High-dosage daily tutoring that meets each student's individual needs
- Proactive parent phone calls that engage families and reduce mobility
- Application process aligned with tenets of equity and openness described in the Newark Charter School Compact

School-wide, 81% of Great Oaks students qualify for free and reduced-price lunch, 4% of students are categorized as having Limited English Proficiency and 7.5% of Great Oaks students enrolled with an IEP. All three of those data points are comparable to our co-located school and lower than the Newark Public Schools average, though not outside the range of student populations observed in Newark.

We attribute this slight under-enrollment of the neediest populations to several factors. The first is the challenge of outreach to a population that is unaccustomed to the very presence of school choice. According to a survey of more than 16,000 Newark residents conducted by Rutgers, NYU and PENewark, 65% of Newark residents described themselves as knowing “little or nothing” about charter schools. When conducting student recruitment, Great Oaks is not just publicizing our program, but must also educate families about school choice and battle misconceptions of charter schools.

An additional challenge in conducting pervasive student outreach in the startup period stemmed from the unique constraints of a startup school. For one, outreach is expensive and new schools lack any dependable source of resources to use for student recruitment. Great Oaks was able to secure philanthropic funding to cover modest student mailings and to post billboards, but much of our early recruiting was via hand-to-hand flyers and word-of-mouth – a challenge for a school without a reputation citywide.

A similar constraint was the absence of a secure facility to use as a part of advertising. Newarkeers rely heavily on public transportation - 44% of households in Newark do not have a car, according to the U.S. Census, making Newark second in the U.S. Location is a vital consideration for those families without private transportation and Great Oaks was unable to confirm its co-location until late-June, which created challenges for low-income families concerned about travel to and from school.

For the 2014-2015 school year, our outreach has been broader, more targeted to the neighborhoods surrounding our school and intended to generate a high-level of interest among the most underserved populations in the city. We have engaged current students’ families to leverage their personal networks to boost word-of-mouth applicants, as well as conducting an extensive mailing effort – more than 5,000 flyers – conducting Open Houses at Great Oaks, posting billboards around Newark, going to area district and charter schools to meet with families and conducting hand-to-hand outreach at busy intersections around Newark. We are currently working with the Newark Public Schools to produce a targeted mailing to public school students in the grades Great Oaks serves, which we expect would have a high degree of success in reaching the student populations we most want to serve.

5) INTERNAL ACCOUNTING CONTROLS

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

5) **INTERNAL ACCOUNTING CONTROLS** - *continued*

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

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

6) **BUDGETARY CONTROLS**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at period end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2015.

The year 2013-2015 is our fourth audit period. The Charter School made efforts during the period to thoroughly review its operational processes and procedures in order to prepare for the audit and on maintaining general compliance with sound fiscal practices.

7) **ACCOUNTING SYSTEM AND REPORT**

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school.

The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statements", Note 1.

8) FINANCIAL STATEMENT INFORMATION

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the year ended June 30, 2015:

**Summary of the General Fund
and Special Revenue Fund Revenues**

	2015	2014	Variance Increase/ (Decrease)	Percentage Variance
Local sources	\$ 879,128	\$ 705,714	\$ 173,414	24.6%
State sources	4,985,233	3,668,357	1,316,876	35.9%
Federal sources	442,551	560,812	(118,261)	-21.1%
	<u>\$ 6,306,912</u>	<u>\$ 4,934,883</u>	<u>\$ 1,372,029</u>	<u>27.8%</u>

The fiscal year ended June 30, 2015 was the Charter School's fourth year of operations. The overall increase of 27.8% in revenue is consistent with the increase in enrollment from 260 to 331 by adding 10th grade in the fourth year. The significant decrease in federal revenue was due to the federal grant, Charter School Implementation Competitive grant which was a one-time grant in the prior year ended June 30, 2014.

The following schedule presents a summary of general fund and special revenue expenditures for the year ended June 30, 2015:

**Summary of the General Fund
and Special Revenue Fund Expenditures**

	2015	2014	Variance Increase/ (Decrease)	Percentage Variance
Instruction	\$ 2,383,521	\$ 1,990,593	\$ 392,928	19.7%
Administrative	1,920,862	1,610,982	309,880	19.2%
Support services	1,744,776	1,422,332	322,444	22.7%
Capital outlay	15,685	42,194	(26,509)	-62.8%
	<u>\$ 6,064,844</u>	<u>\$ 5,066,101</u>	<u>\$ 998,743</u>	<u>19.7%</u>

2015 was the Charter School's fourth year of operations. The general increase in total expenditures of about 19.7% is consistent with the increase in enrollment from 260 to 331 by adding 10th grade in the fourth year.

9) CASH MANAGEMENT

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

10) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation.

11) OTHER INFORMATION

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Ilori CPA LLC, Certified Public Accountant. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB’s Circulars 04-04 and 15-08 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*”

The auditor’s report on the basic financial statements is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

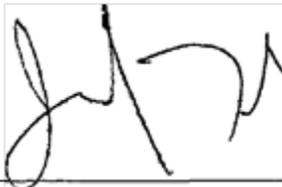
The 2014-2015 school year (our fourth year) was one of great strides in terms of academic achievement at the Great Oaks Charter School. In addition, the period was marked by expected levels of parental involvement. Lastly, GOCS continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

12) ACKNOWLEDGMENTS

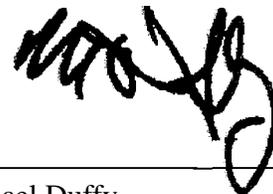
A note of appreciation is extended to the Finance Committee of the Charter School for their support and commitment to fiscal integrity and to the Great Oaks Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Great Oaks Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,

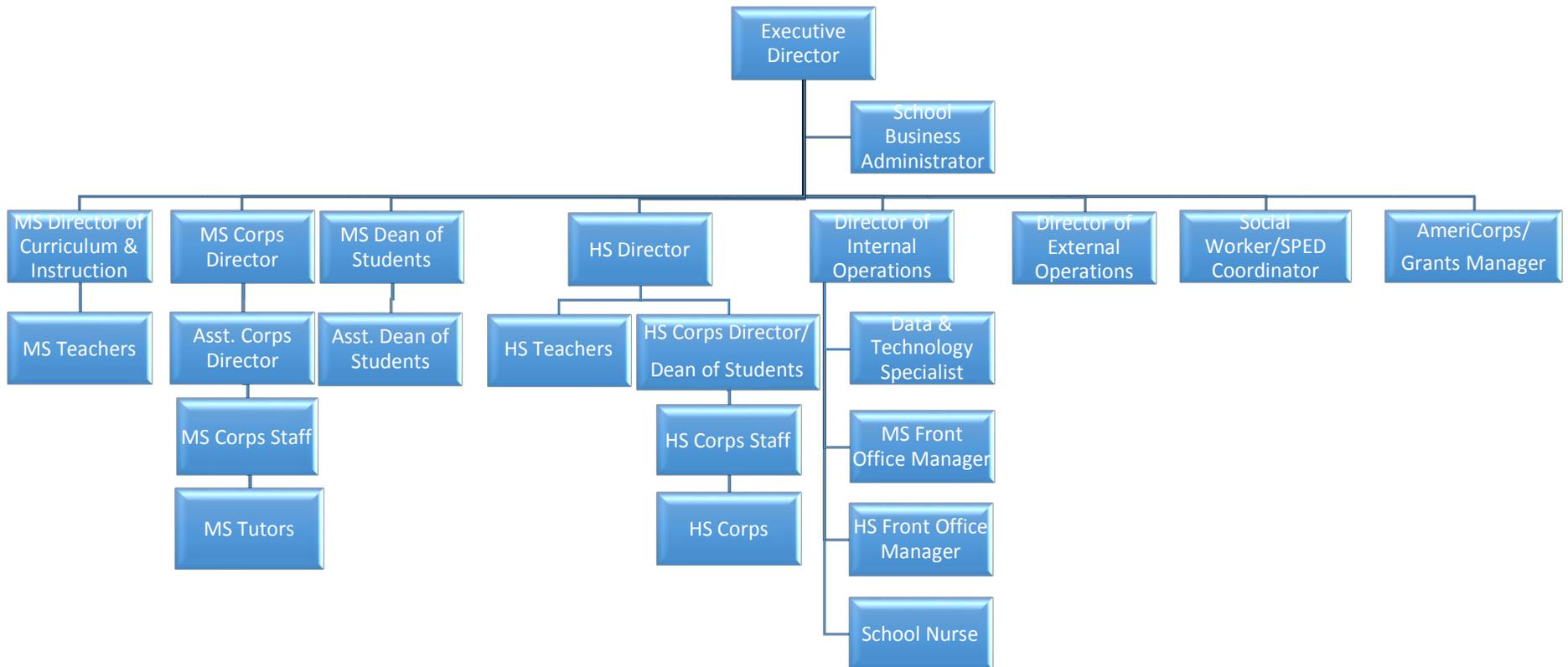


Jared Taillefer
Chief Executive Officer



Michael Duffy
Board President

**Great Oaks Charter School
2014-2015 Organization
Chart**



GREAT OAKS CHARTER SCHOOL
ROSTER OF TRUSTEES AND OFFICERS

JUNE 30, 2015

Members of Board of Trustees

Michael Duffy, Board President

Dr. Karma Warren, Board Vice President

Brian Nevel, Board Treasurer

Richard Hernandez, Esq., Board Member

Anthony Lockett, Board Member

Rana Khan, Board Member

Tenia Peterson, Board Member

Administration

Jared Taillefer, Chief Executive Officer

Olugbenga Olabintan, CPA – School Business Administrator

Jessica Harrell, High School Director

Michelle Diaz, Director of External Operations

GREAT OAKS CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

Ilori CPA LLC
Certified Public Accountant
24 Commerce Street, Suite # 1427
Newark, NJ 07102

Attorney

Cohen Schneider & O'Neil, LLP
275 Madison Avenue, 6th Floor
New York, NY 10016

Official Depository

Chase Bank
744 Broad Street
Newark, NJ 07102

Financial Section



ILORI CPA LLC
CERTIFIED PUBLIC ACCOUNTANT
& MANAGEMENT CONSULTANT
Member of AICPA, NJCPA & MACPA

24 COMMERCE STREET SUITE 1427
NEWARK, NEW JERSEY 07102
Telephone (973)-621-5780
Fax (973) 404- 8858

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Great Oaks Charter School
Newark, New Jersey
County of Essex

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees Great Oaks Charter School, (the "Charter School") in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

We draw attention to Note 7 in the notes to the financial statements which disclose the effects of the Charter School's adoption of the provisions of GASB Statement Nos 68, "Accounting and Financial Reporting for Pensions" and 71, "Pensions Transition for Contributions Made Subsequent to the Measurement Date." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Information* as listed in the table of contents 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements.

The combining and individual fund financial statement information, and the schedules of expenditures of federal awards and state financial assistance as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, are the responsibility of management and were derived from and relates 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 information is fairly presented, in all material respects, in relation to the basis financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Ilori CPA LLC

August 31, 2015
Newark, New Jersey

Ilori CPA LLC
Certified Public Accountant

KunleIlori

Kunle B. Ilori, CPA
Licensed Public School Accountant
No. 20CS00233100

Required Supplementary Information

Part I

Management's Discussion and Analysis

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

GREAT OAKS CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)

Introduction

This section of the Great Oaks Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- Net position of governmental activities ended the fiscal year with \$207,541. Net position of business-type activities, which represent food service operations/after care and summer instructional programs, ended the fiscal year with \$-0-.
- General revenues accounted for \$5,688,940 in revenue or 90 percent of total revenues of \$6,352,863. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$663,923 or 10 percent of total revenues.
- The Charter School had \$5,583,459 in expenses related to governmental activities; \$447,551 of these expenses is offset by operating grants and contributions. General revenues (primarily federal and state aid) of \$5,662,532 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2015, of \$1,144,066.
- On the Charter School-Wide financial statements, assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the Charter School at the close of its most recent fiscal year by \$207,541. The Charter School's total net position for the prior year ended June 30, 2014 decreased by \$1,254,836, as a result of the Cumulative Effect of Change in Accounting Principles that caused a restatement of the prior year Net Position (Beginning of the Fiscal Year). This is required by Governmental Accounting Standard Board Statement No. 68 ("GASB Statement No. 68") and GASB Statement No. 71 which is discussed in detail in the attached financial statements and more particularly in Note 7.

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Using the Basic Financial Statements

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

The report is organized so the reader can understand the Great Oaks Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Great Oaks Charter School, the General Fund is the most significant fund.

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Position and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2015?" The statements of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

GREAT OAKS CHARTER SCHOOL
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Statement of Net Position and Statement of Activities-continued

These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care and summer instructional programs enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

GREAT OAKS CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$207,541 at the close of 2015. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Acvtivities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current Assets	\$ 1,231,192	\$ 1,143,307	\$ 19,032	\$ 26,175	\$ 1,250,224	\$ 1,169,482
Capital Assets, net	37,864	33,755	-	-	37,864	33,755
Deferred outflows of resources	355,228	-	-	-	355,228	-
Total Assets	1,624,284	1,177,062	19,032	26,175	1,643,316	1,203,237
Liabilities						
Current Liabilities	87,126	241,309	19,032	26,175	106,158	267,484
Long term Liabilities	1,254,836	-	-	-	1,254,836	-
Deferred inflows of resources	74,781	-	-	-	74,781	-
Total Liabilities	1,416,743	241,309	19,032	26,175	1,435,775	267,484
Net Position						
Invested in						
Capital Assets						
(net of related debt)	37,864	33,755	-	-	37,864	33,755
Unrestricted	169,677	901,998	-	-	169,677	901,998
Total Net Position	\$ 207,541	\$ 935,753	\$ -	\$ -	\$ 207,541	\$ 935,753

GREAT OAKS CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)

The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School decreased by \$728,212 during the current fiscal year ended June 30, 2015. The majority of the decrease is attributable to the implementation of GASB 68 pension disclosures as more comprehensively discussed in Note 7 to these financial statements. Operating grants and contributions decreased by 12 percent. This is because the federal grant – Charter School Implementation Competitive Grant that was received in 2014 was a one-time grant that was not received in 2015.

The table that follows reflects the change in net position for fiscal year 2015.

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and Contributions	447,551	602,482	216,372	149,455	663,923	751,937
Total Program Revenues	447,551	602,482	216,372	149,455	663,923	751,937
General Revenues:						
Local Aid	817,356	642,352	-	-	817,356	642,352
Federal and State Aid	4,814,812	3,560,063	-	-	4,814,812	3,560,063
Miscellaneous	56,772	21,692	-	-	56,772	21,692
Transfers	(26,408)	(41,559)	26,408	41,559	-	-
Total general Revenues	5,662,532	4,182,548	26,408	41,559	5,688,940	4,224,107
Total Revenues	6,110,083	4,785,030	242,780	191,014	6,352,863	4,976,044
Expenses:						
Instructions	2,383,521	1,990,593	-	-	2,383,521	1,990,593
Administrative & Support Services	-	-	-	-	-	-
Unallocated Amortization	3,188,362	2,883,461	-	-	3,188,362	2,883,461
Food Service	11,576	8,439	-	-	11,576	8,439
Total Expenses	-	-	242,780	191,014	242,780	191,014
Total Expenses	5,583,459	4,882,493	242,780	191,014	5,826,239	5,073,507
Change in Net Position	\$ 526,624	\$ (97,463)	\$ -	\$ -	\$ 526,624	\$ (97,463)

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2015.

GREAT OAKS CHARTER SCHOOL
Management's Discussion and Analysis
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Governmental Activities - *continued*

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,383,521	\$ 2,036,212
Administrative & Support Services	3,188,362	3,088,120
Unallocated Depreciation	11,576	11,576
Total Expenses	\$ 5,583,459	\$ 5,135,908

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation and the after-school program. These programs had revenues of \$242,780 (which includes a transfer from the General Fund of \$26,408 to cover deficit) and operating expenses of \$242,780 for fiscal year 2015. The Charter School intended to have food services be self-operating without assistance from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$6,306,912 and expenditures of \$6,064,844. The positive change in fund balance of \$242,068 contributed to the increase in accumulated fund balances.

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

During the course of fiscal 2015, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$5,694,661, which included a local tax levy of \$817,356. Expenditures and other financing uses were budgeted at \$5,548,759. The Charter School anticipated budgeted fund balance of \$1,047,900 in its 2014-2015 budget year. General Fund revenues were higher than expenditures by \$145,902. Actual revenues and other financing sources were \$5,859,361 and expenditures were \$5,617,293.

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The State of New Jersey reimbursed the Charter School \$94,522 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members. The State also paid \$75,899 into the TPAF pension - representing on-behalf employer's portion of the TPAF contributions for the Charter School. The unbudgeted amounts were included in both revenues and expenditures.

Capital Assets

At the end of year 2015, the Charter School had \$37,864 funds invested in capital assets in its governmental activities. The Charter School's 2015-2016 budget projects spending approximately \$150,000 for capital projects.

Long-term debt

The Charter School had \$1,254,836 and \$972,518 at June 30, 2015 and 2014, respectively, in net pension liability regarding the Public Employees Retirement System. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

GREAT OAKS CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2015
(Unaudited)

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2015-2016. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

GREAT OAKS CHARTER SCHOOL
Business Office
24 Maiden Lane
Newark, New Jersey 07102
Tel: 973-565-9170

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2015.

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 652,962	\$ (37,823)	\$ 615,139
Accounts receivable	373,628	40,700	414,328
Other current assets	184,691	-	184,691
Interfund receivables	19,911	16,155	36,066
Capital assets (net of accumulated depreciation of \$20,015)	37,864	-	37,864
Total assets	<u>\$ 1,269,056</u>	<u>\$ 19,032</u>	<u>\$ 1,288,088</u>
Deferred outflows of resources			
Pension deferred outflows	355,228	-	355,228
Total assets and deferred outflows of resources	<u>\$ 1,624,284</u>	<u>\$ 19,032</u>	<u>\$ 1,643,316</u>
Liabilities			
Accounts payable	\$ 79,122	\$ 19,032	\$ 98,154
Other liabilities	7,674	-	7,674
Interfund payable	-	-	-
Deferred revenue	330	-	330
Net pension liability	1,254,836	-	1,254,836
Total liabilities	<u>1,341,962</u>	<u>19,032</u>	<u>1,360,994</u>
Deferred inflows of resources			
Pension deferred inflows	74,781	-	74,781
Net position			
Invested in capital assets	37,864	-	37,864
Unrestricted, undesignated	169,677	-	169,677
Total net position	<u>207,541</u>	<u>-</u>	<u>207,541</u>
Total liabilities & net position	<u>\$ 1,624,284</u>	<u>\$ 19,032</u>	<u>\$ 1,643,316</u>

See independent auditor's report and accompanying notes to basic financial statements.

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 2,383,521	\$ -	\$ 347,309	\$ (2,036,212)	\$ -	\$ (2,036,212)
Administrative & Support services:						
General administration	1,469,994	-	-	(1,469,994)	-	(1,469,994)
Support services	1,718,368	-	100,242	(1,618,126)	-	(1,618,126)
Capital outlay	-	-	-	-	-	-
Unallocated depreciation	11,576	-	-	(11,576)	-	(11,576)
Total governmental activities	<u>5,583,459</u>	<u>-</u>	<u>447,551</u>	<u>(5,135,908)</u>	<u>-</u>	<u>(5,135,908)</u>
Business-type activities:						
Food service	242,780	-	216,372	-	(26,408)	(26,408)
Total business-type activities	<u>242,780</u>	<u>-</u>	<u>216,372</u>	<u>-</u>	<u>(26,408)</u>	<u>(26,408)</u>
Total primary government	<u>\$ 5,826,239</u>	<u>\$ -</u>	<u>\$ 663,923</u>	<u>(5,135,908)</u>	<u>(26,408)</u>	<u>(5,162,316)</u>
General revenues, transfers and special items:						
Local sources				817,356	-	817,356
State sources				4,814,812	-	4,814,812
Miscellaneous				56,772	-	56,772
Transfers				(26,408)	26,408	-
Total general revenues, transfers and special items				<u>5,662,532</u>	<u>26,408</u>	<u>5,688,940</u>
Change in net position				526,624	-	526,624
Net position - beginning - restated (Note 17)				(319,083)	-	(319,083)
Net position - ending				<u>\$ 207,541</u>	<u>\$ -</u>	<u>\$ 207,541</u>

See independent auditor's report and accompanying notes to basic financial statements.

Funds Financial Statements

Governmental Funds

GREAT OAKS CHARTER SCHOOL
Governmental Funds

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Balance Sheet

June 30, 2015

	General Fund	Special Revenue Fund	Totals Governmental Funds
Assets			
Cash and cash equivalents	\$ 666,027	\$ (13,065)	\$ 652,962
Accounts receivable:	-	-	-
State	8,585	-	8,585
Federal	-	82,192	82,192
Other	282,851	-	282,851
Other current assets	184,691	-	184,691
Interfund receivable	88,708	-	88,708
Total assets	\$ 1,230,862	\$ 69,127	\$ 1,299,989
Liabilities and Fund Balances			
Interfund payables	\$ -	\$ 68,797	\$ 68,797
Accounts payables	79,122	-	79,122
Intergovernmental payables - federal	-	-	-
Intergovernmental payables - state	-	-	-
Intergovernmental payables - other	7,674	-	7,674
Deferred revenue	-	330	330
Total liabilities	86,796	69,127	155,923
Fund balances:			
Unreserved:			-
Undesignated	1,144,066	-	1,144,066
Total fund balances	1,144,066	-	1,144,066
Total liabilities and fund balances	\$ 1,230,862	\$ 69,127	
<p>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>			
Cost of capital assets	\$ 57,879		
Accumulated depreciation	(20,015)		
	\$ 37,864		37,864
<p>Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)</p>			
			355,228
<p>Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)</p>			
			(74,781)
<p>Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)</p>			
			(1,254,836)
Net position of governmental activities - A-1			\$ 207,541

See independent auditor's report and accompanying notes to basic financial statements.

**GREAT OAKS CHARTER SCHOOL
Governmental Funds**

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**Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2015**

	General Fund	Special Revenue Fund	Total
Revenues:			
Local sources:			
Local tax levy	\$ 817,356	\$ -	\$ 817,356
Miscellaneous	56,772	5,000	61,772
Total revenues - local sources	874,128	5,000	879,128
Federal sources	-	442,551	442,551
State sources	4,814,812	-	4,814,812
Reimbursed TPAF-Social Security (non-budgeted)	94,522	-	94,522
TPAF pension and post retirement medical	-	-	-
benefits on-behalf payments (non-budgeted)	75,899	-	75,899
Total revenues	5,859,361	447,551	6,306,912
Current expense:			
Instruction	2,036,212	347,309	2,383,521
Administrative	1,750,441	-	1,750,441
Support services	1,618,126	100,242	1,718,368
Capital outlay	15,685	-	15,685
Reimbursed TPAF-Social Security (non-budgeted)	94,522	-	94,522
TPAF pension and post retirement medical	-	-	-
benefits on-behalf payments (non-budgeted)	75,899	-	75,899
Total expenditures	5,590,885	447,551	6,038,436
Excess (deficiency) of revenues over (under) expenditures	268,476	-	268,476
Other Financing Sources (Uses):			
Operating Transfer Out:			
Transfer to food service fund to cover deficit	(26,408)	-	(26,408)
Total other financing sources (uses)	(26,408)	-	(26,408)
Net change in fund balances	242,068	-	242,068
Fund balances, beginning of year	901,998	-	901,998
Fund balances, end of year	\$ 1,144,066	\$ -	\$ 1,144,066

See independent auditor's report and accompanying notes to basic financial statements.

GREAT OAKS CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2015

B-3

Total net change in fund balances - governmental funds (B-2) \$ 242,068

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 expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

	Depreciation expense	\$ (11,576)	
	Capital outlays	<u>15,685</u>	
			4,109

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 inflows/outflows related to pension changed during the period

280,447

Change in net position of governmental activities (A-2) \$ 526,624

See independent auditor's report and accompanying notes to basic financial statements.

Proprietary Funds

**GREAT OAKS CHARTER SCHOOL
Proprietary Funds**

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Statement of Net Position

June 30, 2015

Assets	
Current assets:	
Cash and cash equivalents	\$ (37,823)
Accounts receivable:	-
Federal	40,189
State	511
Interfund receivable - General Fund	16,155
Total current assets	<u>\$ 19,032</u>
Liabilities	
Current liabilities:	
Accounts payable	19,032
Interfund receivable	-
Total current liabilities	<u>\$ 19,032</u>
Net position	
Unrestricted	-
Total net position	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

GREAT OAKS CHARTER SCHOOL
Proprietary Funds

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Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2015

Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
Cost of sales	242,780
Total operating expenses	<u>242,780</u>
Operating income (loss)	<u>(242,780)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	2,734
Federal sources:	
National School Lunch Program	129,845
National School Breakfast Program	46,039
After School Snacks	37,754
Total nonoperating revenues	<u>216,372</u>
Net income/(loss) before contributions & transfers	(26,408)
Other financing sources:	
Transfer in/(out) - board contribution	26,408
	<u>26,408</u>
Change in net position	-
Total net position-beginning of year	<u>-</u>
Total net position-end of year	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

**GREAT OAKS CHARTER SCHOOL
Proprietary Fund**

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Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities

Operating loss	\$ (242,780)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(14,525)
Increase in accounts payable	3,110
Increase in due to general fund	(26,408)
Net cash used in operating activities	<u>(280,603)</u>

Cash flows from noncapital financing activities

Cash received from state reimbursements	2,734
Cash received from federal reimbursements	213,638
Operating subsidies and transfers from other funds	26,408
Net cash provided by noncapital financing activities	<u>242,780</u>

Cash flows from investing activities

	-
Net decrease in cash and cash equivalents	(37,823)
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	<u>\$ (37,823)</u>

See independent auditor's report and accompanying notes to basic financial statements.

Fiduciary Funds

**GREAT OAKS CHARTER SCHOOL
Fiduciary Funds**

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Statement of Fiduciary Net Assets

June 30, 2015

	<u>Student Activity Fund</u>	<u>Unemployment Insurance Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 6,542	\$ -	\$71,925	\$78,467
Total assets	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$71,925</u>	<u>\$78,467</u>
Liabilities and fund balances				
Liabilities:				
Interfund payables	\$ -	\$ -	\$36,066	\$36,066
Payroll liabilities	-	-	35,858	35,858
Account payable - due to students group	6,542	-	-	6,542
Total liabilities	<u>6,542</u>	<u>-</u>	<u>71,925</u>	<u>78,467</u>
Net Assets				
Total liabilities and net assets	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$71,925</u>	<u>\$78,467</u>

See independent auditor's report and accompanying notes to basic financial statements.

GREAT OAKS CHARTER SCHOOL
Fiduciary Funds

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Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2015

	<u>Unemployment Compensation</u>
Additions:	
Board contributions	\$ 16,648
Employee contributions	5,890
Total additions	<u>22,538</u>
Deductions:	
Unemployment payments	<u>22,538</u>
Total deductions	<u>22,538</u>
Change in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

Notes to Basic Financial Statements

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1 Description of the Charter School and Reporting Entity

Great Oaks Charter School (the “Charter School” was incorporated in the State of New Jersey on April 7, 2011 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

The Great Oaks Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies

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

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

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

A Basis of Presentation

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

Charter School Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - continued

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

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

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - continued

As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2015 there was no Capital Projects Fund.

Proprietary Funds

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

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - *continued*

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

Fiduciary Funds

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

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. ***Basis of accounting*** refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - *continued*

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

Basis of Accounting

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determine and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, 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. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - *continued*

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E Cash, Cash Equivalent and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investment with a maturity of three months or less at the time of purchases and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchases are stated at cost. All other investments are stated at fair value.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund 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 loss funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. established 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, bank (both state and national banks) and saving bank 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 deposit 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.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Position.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with 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.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

Description of Capital Asset	Estimated Lives (Years)
Equipment	3 to 5

I Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - *continued*

Compensated absences that relate to future services, or that are contingent on specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place. For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2015.

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

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

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2011 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of 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:

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - *continued*

1. Nonspendable – includes amounts that cannot be spent because they 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 determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

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

M Net Position

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

N Management Estimates

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2 Summary of Significant Accounting Policies - *continued*

O On-Behalf Payments

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

P New Accounting Standards

During fiscal year 2015, the Charter School adopted the following GASB statements:

GASB 68, *Accounting and Financial Reporting for Pensions* The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

3 Deposits and Investments

New Jersey statutes require that Charter 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. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

3 Deposits and Investments - continued

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 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 Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2015, the Charter School's carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Operating A/C	\$ 666,027	\$ (13,065)	\$ (37,823)	\$ 78,467	\$ 693,606

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2015, the Charter School's carrying amount of deposits was \$693,606 and the bank balance was \$937,963. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2015 were secured by federal deposit insurance and \$687,963 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1 - Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name. **Category 2** - Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name.

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

3 Deposits and Investments - continued

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

Investments

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

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

As of June 30, 2015, the Charter School did not hold any investments.

4 Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2015:

Governmental activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets, being depreciated:			
Equipment	\$ 42,194	\$ 15,685	\$ 57,879
Total capital assets being depreciated	42,194	15,685	57,879
Less accumulated depreciation for:			
Equipment	8,439	11,576	20,015
Total accumulated depreciation	8,439	11,576	20,015
 Total capital assets net	 \$ 33,755	 \$ 4,109	 \$ 37,864

Depreciation expense of \$11,576 was charged to an unallocated function.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

5 Lease Obligations

Facilities Leases

The Charter School leases its facilities under several operating lease agreements:

Classroom and Administrative Offices

At the beginning of the new school year 2013-2014 (prior year), the Charter School entered into lease agreements for two locations: (1) 24 Maiden Lane, Newark, New Jersey – an 18,935 square foot space for the middle school at an annual rent of \$359,765. It is a twenty (20) year lease with annual increases. The amount paid under this lease for the year ended June 30, 2015 was \$359,765. (2) 9-11 Hill Street, Newark, New Jersey for the high school – it is a two-year lease through July 14, 2015 covering 5,067 square foot space in year one at an annual rent of \$75,000 and 10,134 square foot of space in year two at an annual rent of \$195,268. The amount paid under this lease for the year ended June 30, 2015 was \$201,825. The lease expired on July 14, 2015 and was not renewed.

Tutor Leases

As part of its student college preparation model, the Charter School hires new college graduates on a full time basis (just for one year at a time). Part of the incentives for the tutors to work for one year is the provision of accommodation paid for by the Charter School. It currently has leases for several units with a safe and secure apartment complex in Newark, New Jersey for the use of the tutors. The amount paid under this lease for the year ended June 30, 2015 was \$305,338.

Equipment Leases

The Charter School leases office equipment (three copiers) under two operating lease agreements. For the year ended June 30, 2015, the Charter School incurred \$45,903 in equipment lease expenditures.

Future minimum lease payments required under the operating leases are as follows:

Year Ending June 30:	24 Maiden Lane	Tutors' Leases	Equipment Leases	Total
2016	\$ 359,760	\$ 56,833	\$ 28,159	\$ 444,752
2017	366,960	-	3,014	369,974
2018	374,304	-	-	374,304
2019	381,780	-	-	381,780
2020	389,424	-	-	389,424
Thereafter	5,831,184	-	-	5,831,184
	<u>\$ 7,703,412</u>	<u>\$ 56,833</u>	<u>\$ 31,173</u>	<u>\$ 7,791,418</u>

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6 Pension Plans

Description of Plans

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

Teachers Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6 Pension Plans - *continued*

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Significant Legislation

P.L. 2011, c. 1, effective May 21, 2011, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/71th of the required amount, beginning in Fiscal Year 2015.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6 Pension Plans - *continued*

Significant Legislation - *continued*

P.L. 2011, c.3, effective May 21, 2011, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRSII") is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6 Pension Plans - *continued*

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.64% for PERS, 6.64% for TPAF and 6.64% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The Charter School's contribution to PERS for the year ended June 30, 2015 was \$55,539.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$94,522 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The State also paid \$75,899 into the TPAF pension - representing on-behalf employer's portion of the TPAF contributions for the Charter School. The unbudgeted amounts were included in both revenues and expenditures. The amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

7 Pension Plans – GASB 68 Disclosures

Teachers Pension and Annuity Fund (TPAF)

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 Pension

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter 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 nonemployer contributing entity. Since the Charter 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 Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$1,582,685 as measured on June 30, 2014 and \$-0- as measured on June 30, 2013.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$85,163 and revenue of \$85,163 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.

Although the Charter 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 Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers Pension and Annuity Fund (TPAF) - *continued*

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$ 2,306,623,861	\$ -
Collective deferred inflows of resources	\$ 1,763,205,593	\$ -
Collective net pension liability (non-employer State of New Jersey)	\$53,446,745,367	\$50,539,213,484
State's portion of the net pension liability that was associated with the Charter School	\$ 1,582,685	\$ -
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.002961%	0.000000%

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.5%
Salary increases	Varies based on experience
Investment rate of returns	7.9%

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, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

GREAT OAKS CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2015

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers Pension and Annuity Fund (TPAF) - *continued*

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short Term Bonds	0.00%	1.00%
Intermediate Term Bonds	11.20%	2.60%
Long Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers Pension and Annuity Fund (TPAF) - *continued*

Discount Rate

The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, 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 Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter 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 Division of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.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-rprts-home.shtml>.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
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7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees' Retirement System (PERS)

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 Pension

At June 30, 2015, the Charter School reported a liability of \$1,254,836 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The Charter 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 years ended June 30, 2014 and 2013. At June 30, 2014, the Charter School's proportion was 0.0067022036% which was an increase of 0.001614% from its proportion measured as of June 30, 2013 which was 0.0050885255%.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$112,403. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	39,459	-
Net difference between projected and actual earnings on pension plan investments	-	74,781
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	260,517	-
Charter School's contributions subsequent to the measurement date	55,252	-
Total	\$ 355,228	\$ 74,781

\$52,252 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense
2015	\$ 72,946
2016	72,946
2017	72,946
2018	72,946
2019	(46,243)
Thereafter	(20,347)
	\$ 225,195

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

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

	June 30, 2014	June 30, 2013
Collective deferred outflows of resources	\$ 952,194,675	\$ -
Collective deferred inflows of resources	\$ 1,479,224,662	\$ -
Collective net pension liability (Non-State Local Group)	\$ 18,722,735,003	\$ 19,111,986,911
Charter School's portion of the net pension liability	\$ 1,254,836	\$ 972,518
Charter School's proportion (percentage)	0.00670220%	0.00508852%

Actuarial Assumptions

The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

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 PERS’s target asset allocation as of June 30, 2014 are summarized in the following table:

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Year Ended June 30, 2015

7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

Long-Term Expected Rate of Return - continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended 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.

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7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2014 and 2013, respectively, calculated using the discount rate of 5.39% and 5.55%, respectively, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the pension liability	\$ 1,578,626	\$ 1,254,836	\$ 982,934
	2013		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Charter School's proportionate share of the pension liability	\$ 1,210,657	\$ 972,518	\$ 772,989

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>

GREAT OAKS CHARTER SCHOOL
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Notes to the Basic Financial Statements
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8 Post Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS.

It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

9 Compensated Absences

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2015, Charter School-wide compensated absences amounted to \$-0-.

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Year Ended June 30, 2015

10 Deferred Compensation

The Charter School is in the process of offering its employees a choice of deferred compensation plans created in accordance with Internal Revenue Section 403(b).

11 Economic Dependency

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

12 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School's financial position.

13 Risk Management

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

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

13 Risk Management

New Jersey Unemployment Compensation - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The following table is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and ending balance of the Charter School’s expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ 16,648	\$ 5,890	\$ 22,538	\$ -
2013-2014	6,022	2,120	8,142	-
2012-2013	1,719	1,515	3,234	-

14 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 88,708	\$ -
Special Revenue Fund	-	68,797
Enterprise Fund	16,155	-
Trust and Agency Fund	-	36,066
	<u>\$ 104,863</u>	<u>\$ 104,863</u>

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

15 Receivables

Receivables as of June 30, 2015 consisted of accounts, intergovernmental, grants and miscellaneous items. All receivables are considered collectible in full. A summary of the principal items of intergovernmental and other receivables are as follows:

State aid	\$ 9,096
Federal aid	122,381
Other	282,851
Total receivables	<u>\$ 414,328</u>

16 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements except the following:

1. As part of its charter renewal for the next five years through June 30, 2020, the Charter School was granted an increase in enrollment of additional 10 students per grade from 67 to 77. This resulted in an increase of 127 students as of September 2015.
2. The Charter School entered into a lease agreement for a new location for the high school.

17 Retroactive Restatement of Net Position

Restatement of Prior Period:

The Charter School adopted GASB No. 68 -*Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the Charter School to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the Charter School was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 8), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71 -*Pension Transition for Contributions Made Subsequent to the Measurement Date*, The Charter School restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

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(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2015

17 Retroactive Restatement of Net Position - *continued*

Government Activities Net Position:

Net position (per A-1) as of June 30, 2014	\$ 935,753
Restatement of net pension liability	(972,518)
Restatement of deferred outflows	(282,318)
Net position (per A-1) as of June 30, 2014, as restated	<u>\$ (319,083)</u>

18 Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1	\$ 1,144,066
Cost of capital assets net accumulated depreciation	37,864
Pension deferred outflows	355,228
Pension deferred inflows	(74,781)
Deferred pension liability as of June 30, 2015	(1,254,836)
Net position (per A-1) as of June 30, 2015	<u>\$ 207,541</u>

19 Fund Balance Appropriated – General Fund (Exhibit B- 1)

Of the \$1,144,066 General Fund balance at June 30, 2015, the entire \$1,144,066 is unreserved and undesignated.

Required Supplementary Information

Part II

Budgetary Comparison

**GREAT OAKS CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 817,356	-	\$ 817,356	\$ 817,356	\$ -
Miscellaneous	-	-	-	56,772	(56,772)
Total revenues -local sources	<u>817,356</u>	<u>-</u>	<u>817,356</u>	<u>874,128</u>	<u>(56,772)</u>
State sources:					
State aid	4,877,305	-	4,877,305	4,814,812	62,493
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	94,522	(94,522)
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	-	-	-	75,899	(75,899)
Total -state sources	<u>4,877,305</u>	<u>-</u>	<u>4,877,305</u>	<u>4,985,233</u>	<u>(107,928)</u>
Total revenues	<u>5,694,661</u>	<u>-</u>	<u>5,694,661</u>	<u>5,859,361</u>	<u>(164,700)</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	1,071,865	\$ 165,500	1,237,365	1,237,344	21
Other salaries for instruction	297,000	30,000	327,000	326,708	292
Purchased professional technical services	70,000	84,100	154,100	154,045	55
Other purchased services	22,500	(5,500)	17,000	16,712	288
General educational supplies	200,000	(28,000)	172,000	171,708	292
Textbooks	60,000	(9,700)	50,300	50,243	57
Miscellaneous expenses	100,000	(20,500)	79,500	79,452	48
	<u>1,821,365</u>	<u>215,900</u>	<u>2,037,265</u>	<u>2,036,212</u>	<u>1,053</u>
Administrative cost:					
Salaries	841,126	8,920	850,046	849,877	169
Total benefit costs	611,036	(121,000)	490,036	385,588	104,448
Professional /Technical service	319,400	(39,500)	279,900	279,668	232
Other purchased services	141,850	(4,300)	137,550	137,477	73
Communications and Telephones	24,000	(4,500)	19,500	19,008	492
Supplies and materials	60,000	11,999	71,999	71,916	83
Miscellaneous expenses	12,600	(5,500)	7,100	6,907	193
	<u>2,010,012</u>	<u>(153,881)</u>	<u>1,856,131</u>	<u>1,750,441</u>	<u>105,690</u>
Support services:					
Salaries	123,600	850	124,450	124,450	-
Purchased prof/tech service	30,000	120,600	150,600	150,597	3
Other purchased services	161,000	28,050	189,050	189,005	45
Rent on land and buildings	988,200	(121,250)	866,950	866,927	23
Insurance-fidelity, liability property	35,082	(13,250)	21,832	21,818	14
Supplies and materials	63,000	84,088	147,088	146,177	911
Energy & Utilities	90,000	(17,250)	72,750	72,740	10
Miscellaneous expenses	1,000	(1,000)	-	-	-
Transportation other than to/from school	25,000	21,412	46,412	46,412	-
Total support services	<u>1,516,882</u>	<u>102,250</u>	<u>1,619,132</u>	<u>1,618,126</u>	<u>1,006</u>
Capital outlay:					
Instructional equipment	48,000	(48,000)	-	-	-
Non-instructional equipment	-	-	-	-	-
Purchase land/improvements	50,000	(34,000)	16,000	15,685	315
Miscellaneous expenses	2,500	(2,500)	-	-	-
Total capital outlay	<u>100,500</u>	<u>(84,500)</u>	<u>16,000</u>	<u>15,685</u>	<u>315</u>

**GREAT OAKS CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TPAF-Social Security					
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	94,522	(94,522)
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	-	-	-	75,899	(75,899)
Total TPAF-Social Security	-	-	-	170,421	(170,421)
Total expenditures	5,448,759	79,769	5,528,528	5,590,885	108,064
Excess (deficiency) of revenues over (under) expenditures before other financing sources/(uses)	245,902	(79,769)	166,133	268,476	(272,764)
Other Financing Sources (Uses):					
Operating Transfer Out:					
Transfer to food service fund to cover deficit	-	(20,231)	(20,231)	(26,408)	6,177
Total other financing sources (uses)	-	(20,231)	(20,231)	(26,408)	6,177
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	245,902	(100,000)	145,902	242,068	(266,587)
Fund balances, beginning of year	901,998	-	901,998	901,998	-
Fund balances, end of year	\$ 1,147,900	\$ (100,000)	\$ 1,047,900	\$ 1,144,066	\$ (266,587)

**GREAT OAKS CHARTER SCHOOL
Special Revenue Fund**

C-2

**Budget Comparison Schedule
Budgetary Basis
Year ended June 30, 2015**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Federal sources	\$ 480,426	\$ -	\$ 480,426	\$ 467,441	\$ 12,985
Local sources	5,000	-	5,000	5,000	-
Total revenues -all sources	<u>485,426</u>	<u>-</u>	<u>485,426</u>	<u>472,441</u>	<u>12,985</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	385,185	-	385,185	372,199	12,986
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>385,185</u>	<u>-</u>	<u>385,185</u>	<u>372,199</u>	<u>12,986</u>
Support services					
Support services salaries	-	-	-	-	-
Employee benefits	15,953	-	15,953	15,953	-
Purchased professional services	84,289	-	84,289	84,289	-
Other purchased services	-	-	-	-	-
Supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>100,242</u>	<u>-</u>	<u>100,242</u>	<u>100,242</u>	<u>-</u>
Capital Outlay:					
Facilities acquisition and construction services			-		-
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 485,427</u>	<u>\$ -</u>	<u>\$ 485,427</u>	<u>\$ 472,441</u>	<u>\$ 12,986</u>

Notes to Required Supplementary Information

GREAT OAKS CHARTER SCHOOL
Note to Required Supplementary Information
Budget to GAAP Reconciliation

C-3

Year ended June 30, 2015

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 5,859,361	
	[C-2]		\$ 447,551
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	24,890
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 5,859,361	\$ 472,441
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 5,590,885	
	[C-2]		\$ 447,551
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			24,890
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfer (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 5,590,885	\$ 472,441

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

GREAT OAKS CHARTER SCHOOL

L-1

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS
Last Two Fiscal Years

	<u>Fiscal Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Charter School's proportion of the net pension liability (assets)	0.0067022036%	0.0050885255%
Charter School's proportionate share of the net pension liability (assets)	<u>1,254,836</u>	<u>972,518</u>
Charter School's covered employee payroll	\$ 588,790	\$ 407,500
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	213.12%	238.65%
Plan fiduciary net position as a percentage of the total pension liability - local	52.08%	48.72%

Note

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

GREAT OAKS CHARTER SCHOOL

L-2

**Schedule of the Charter School's Contributions - PERS
Last Two Fiscal Years**

	Fiscal Year Ended June 30,	
	2014	2013
Contractually required contribution	\$ 55,252	\$ 38,341
Contribution in relation to the contractually required contribution	<u>(55,252)</u>	<u>(38,341)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 588,790	\$ 407,500
Contributions as a percentage of covered employee payroll	9.38%	9.41%

Note

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

GREAT OAKS CHARTER SCHOOL

L-3

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF
Last Two Fiscal Years

	Fiscal Year Ended June 30,	
	2014	2013
Charter School's proportion of the net pension liability (assets)**	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 1,582,685	\$ -
Total	<u>\$ 1,582,685</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 768,840	\$ 519,600
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll**	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%

**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 Charter School (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the Charter School.

Note to Required Supplementary Information
Pension Schedules
Year ended June 30, 2015

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 25 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 females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

Teacher's 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 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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.

Other Supplementary Information

School Level Schedules

Special Revenue Fund

**GREAT OAKS CHARTER SCHOOL
Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2015

	<u>Title IA Current Year 2014-2015</u>	<u>Title IIA Current Year 2014-2015</u>	<u>I.D.E.A. Current Year 2014-2015</u>	<u>Americorps 2014-2015</u>	<u>Newark Charter School Fund</u>	<u>Total</u>
Revenues						
Federal sources	\$ 184,137	\$ 2,497	\$ 51,792	\$ 229,015	\$ -	\$ 467,441
Local sources	-	-	-	-	5,000	5,000
Total revenues -all sources	<u>\$ 184,137</u>	<u>\$ 2,497</u>	<u>\$ 51,792</u>	<u>\$ 229,015</u>	<u>\$ 5,000</u>	<u>\$ 472,441</u>
Expenditures						
Instruction						
Salaries of teachers	\$ 143,184	\$ -	\$ -	\$ 229,015	\$ -	\$ 372,199
Purchased Prof. and technical services	-	-	-	-	-	-
Other purchased services	-	-	-	-	-	-
General supplies	-	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-	-
Total instruction	<u>143,184</u>	<u>-</u>	<u>-</u>	<u>229,015</u>	<u>-</u>	<u>372,199</u>
Support services						
Support services salaries	-	-	-	-	-	-
Employee benefits	10,953	-	-	-	5,000	15,953
Purchased professional services	30,000	2,497	51,792	-	-	84,289
Other purchased services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-	-
Total support services	<u>40,953</u>	<u>2,497</u>	<u>51,792</u>	<u>-</u>	<u>5,000</u>	<u>100,242</u>
Facilities acquisition and construction services						
Instructional equipment	-	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-	-
Construction services	-	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 184,137</u>	<u>\$ 2,497</u>	<u>\$ 51,792</u>	<u>\$ 229,015</u>	<u>\$ 5,000</u>	<u>\$ 472,441</u>

Capital Projects Fund

At June 30, 2015, there was no capital project fund.

Enterprise Fund

GREAT OAKS CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Position

June 30, 2015

	<u>Food Services</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ (37,823)
Accounts receivable:	
Federal	40,189
State	511
Interfund receivable - General Fund	16,155
Total current assets	<u>\$ 19,032</u>
Liabilities	
Current liabilities:	
Accounts payable	19,032
Interfund receivable	-
Total current liabilities	<u>\$ 19,032</u>
Net position	
Unrestricted	-
Total net position	<u><u>\$ -</u></u>

GREAT OAKS CHARTER SCHOOL
Enterprise Fund

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2015

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
Cost of sales	242,780
Total operating expenses	<u>242,780</u>
Operating income (loss)	<u>(242,780)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	2,734
Federal sources:	
National School Lunch Program	129,845
National School Breakfast Program	46,039
After School Snacks	37,754
Total nonoperating revenues	<u>216,372</u>
Net income/(loss) before contributions & transfers	(26,408)
Other financing sources:	
Transfer in/(out) - board contribution	26,408
	<u>26,408</u>
Change in net position	-
Total net position-beginning of year	<u>-</u>
Total net position-end of year	<u><u>\$ -</u></u>

GREAT OAKS CHARTER SCHOOL
Enterprise Fund

G-3

Statement of Cash Flows

Year ended June 30, 2015

	<u>Food Services</u>
Cash flows from operating activities	
Operating loss	\$ (242,780)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(14,525)
Increase in accounts payable	3,110
Increase in due to general fund	(26,408)
Net cash used in operating activities	<u>(37,823)</u>
 Cash flows from noncapital financing activities	
Cash received from state reimbursements	2,734
Cash received from federal reimbursements	213,638
Operating subsidies and transfers from other funds	26,408
Net cash provided by noncapital financing activities	<u>242,780</u>
 Cash flows from investing activities	-
 Net change in cash and cash equivalents	(37,823)
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	<u>\$ (37,823)</u>

Fiduciary Fund

GREAT OAKS CHARTER SCHOOL
Fiduciary Funds

H-1

Combining Statement of Fiduciary Net Assets

June 30, 2015

	<u>Student Activity Fund</u>	<u>Unemployment Insurance Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 6,542	\$ -	\$ 71,925	\$ 78,467
Total assets	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$ 71,925</u>	<u>\$ 78,467</u>
Liabilities and fund balances				
Liabilities:				
Payroll deductions and withholdings	\$ -	\$ -	\$ 35,858	\$ 35,858
Interfund payables	-	-	36,066	36,066
Account payable - due to students group	6,542	-	-	6,542
Total liabilities	<u>6,542</u>	<u>-</u>	<u>71,925</u>	<u>78,467</u>
Net Position				
Total liabilities and net assets	<u>\$ 6,542</u>	<u>\$ -</u>	<u>\$ 71,925</u>	<u>\$ 78,467</u>

GREAT OAKS CHARTER SCHOOL
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2015

	<u>Unemployment Compensation</u>
Additions:	
Board contributions	\$ 16,648
Employee contributions	5,890
Total additions	<u>22,538</u>
Deductions:	
Unemployment payments	<u>22,538</u>
Total deductions	<u>22,538</u>
Change in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u><u>\$ -</u></u>

**GREAT OAKS CHARTER SCHOOL
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements**

H-3

Year ended June 30, 2015

	<u>Balance June 30, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2015</u>
Assets				
Parent council fund	\$ 1,770	\$ 11,225	\$ 6,453	\$ 6,542
Total assets	<u>\$ 1,770</u>	<u>\$ 11,225</u>	<u>\$ 6,453</u>	<u>\$ 6,542</u>

GREAT OAKS CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements

H-4

Year ended June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets				
Cash and cash equivalents	\$ 57,882	\$ 3,162,152	\$ 3,148,109	\$ 71,925
Total assets	<u>\$ 57,882</u>	<u>\$ 3,162,152</u>	<u>\$ 3,148,109</u>	<u>\$ 71,925</u>
Liabilities				
Payroll deductions and withholdings	\$ 57,882	\$ 3,126,086	\$ 3,112,043	\$ 35,858
Interfund payable	-	36,066	-	36,066
Total liabilities	<u>\$ 57,882</u>	<u>\$ 3,162,152</u>	<u>\$ 3,112,043</u>	<u>\$ 71,925</u>

Long Term Debt

At June 30, 2015, there was no long term debt.

GREAT OAKS CHARTER SCHOOL
 Long-Term Debt
 Schedule of Obligations Under Renovation Loan

I-2

Year ended June 30, 2015

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2014</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2015</u>
		\$ -	\$ -	\$ -	\$ -

NONE

Statistical Section

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-1

Net Assets By Component
Last Four Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,			
	2015	2014	2013	2012
Governmental activities				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 11,500
Restricted	-	-	-	-
Unrestricted	169,677	901,998	1,033,216	503,406
Total governmental activities net assets	<u>\$ 169,677</u>	<u>\$ 901,998</u>	<u>\$ 1,033,216</u>	<u>\$ 514,906</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	-	-	-	(1,639)
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,639)</u>
School-wide				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 11,500
Restricted	-	-	-	-
Unrestricted	169,677	901,998	1,033,216	501,767
Total charter school net assets	<u>\$ 169,677</u>	<u>\$ 901,998</u>	<u>\$ 1,033,216</u>	<u>\$ 513,267</u>

Notes

GASB requires that ten year of statistical data be presented. However, only four years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-2

Changes in Net Assets
Last Four Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,			
	2015	2014	2013	2012
Expenses				
Governmental activities				
Instruction				
Regular	\$ 2,383,521	\$ 1,990,593	\$ 1,377,177	\$ 1,021,626
Support Services:				
General administration	1,469,994	1,502,688	967,159	698,894
School administrative services	1,718,368	1,380,773	632,528	94,575
On-behalf TPAF/FICA Reimbursements	-	-	47,634	-
Capital outlay	-	-	-	-
Unallocated depreciation	11,576	8,439	11,500	11,500
Total governmental activities expenses	<u>5,583,459</u>	<u>4,882,493</u>	<u>3,035,998</u>	<u>1,826,595</u>
Business-type activities:				
Food service	242,780	191,014	139,090	111,842
Child Care	-	-	-	-
Total business-type activities expense	<u>242,780</u>	<u>191,014</u>	<u>139,090</u>	<u>111,842</u>
Total charter school expenses	<u>\$ 5,826,239</u>	<u>\$ 5,073,507</u>	<u>\$ 3,175,088</u>	<u>\$ 1,938,437</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Operating grants and contributions	\$ 447,551	\$ 602,482	\$ 402,259	\$ 484,008
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>447,551</u>	<u>602,482</u>	<u>402,259</u>	<u>484,008</u>
Business-type activities:				
Charges for services:				
Food service	-	-	-	-
Child care	-	-	-	-
Operating grants and contributions	216,372	149,455	122,303	80,007
Capital grants and contributions	-	-	-	-
Total business type activities program revenues	<u>216,372</u>	<u>149,455</u>	<u>122,303</u>	<u>80,007</u>
Total charter school program revenues	<u>\$ 663,923</u>	<u>\$ 751,937</u>	<u>\$ 524,562</u>	<u>\$ 564,015</u>
Net (Expense)/Revenue				
Governmental activities	\$ (5,135,908)	\$ (4,280,011)	\$ (2,633,739)	\$ (1,342,587)
Business-type activities	(26,408)	(41,559)	(16,787)	(31,835)
Total charter school-wide net expense	<u>\$ (5,162,316)</u>	<u>\$ (4,321,570)</u>	<u>\$ (2,650,526)</u>	<u>\$ (1,374,422)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes levied for general purposes, net	\$ 817,356	\$ 642,352	\$ 464,168	\$ 232,623
Grants and contributions	4,814,812	3,560,063	2,700,172	1,512,178
Miscellaneous income	56,772	21,692	6,135	142,888
Transfers	(26,408)	(41,559)	(18,426)	(30,195)
Total governmental activities	<u>5,662,532</u>	<u>4,182,548</u>	<u>3,152,049</u>	<u>1,857,494</u>
Business-type activities:				
Transfers	26,408	41,559	18,426	30,195
Total business-type activities	<u>26,408</u>	<u>41,559</u>	<u>18,426</u>	<u>30,195</u>
Total charter school-wide	<u>\$ 5,688,940</u>	<u>\$ 4,224,107</u>	<u>\$ 3,170,475</u>	<u>\$ 1,887,689</u>
Change in Net Assets				
Governmental activities	\$ 553,032	\$ (55,904)	\$ 518,310	\$ 514,907
Business-type activities	(26,408)	(41,559)	1,639	(1,640)
Total charter school	<u>\$ 526,624</u>	<u>\$ (97,463)</u>	<u>\$ 519,949</u>	<u>\$ 513,267</u>

Notes

GASB requires that ten year of statistical data be presented. However, only four years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-3

Fund Balances - Governmental Funds
Last Four Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund				
Unreserved	\$ 1,144,066	\$ 901,998	\$ 1,033,216	\$ 503,406
Total general fund	<u>\$ 1,144,066</u>	<u>\$ 901,998</u>	<u>\$ 1,033,216</u>	<u>\$ 503,406</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue fund	-	-	-	-
Capital projects fund	-	-	-	-
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes

GASB requires that ten year of statistical data be presented. However, only four years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

Changes in Fund Balances - Governmental Funds
Last Four Years
(Unaudited)

<u>Function</u>	Fiscal Year Ended June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues				
Local tax levy	\$ 817,356	\$ 642,352	\$ 464,168	\$ 232,623
Miscellaneous	61,772	63,362	6,135	566,144
State sources	4,985,233	3,668,357	2,700,172	1,537,897
Federal sources	442,551	560,812	378,015	35,034
Total revenue	<u>6,306,912</u>	<u>4,934,883</u>	<u>3,548,490</u>	<u>2,371,698</u>
Expenditures				
Instruction	2,383,521	1,990,593	1,377,177	945,065
Administration	1,920,862	1,610,982	967,159	500,891
Support Services	1,744,776	1,422,332	680,162	399,335
Capital Outlay	15,685	42,194	-	23,000
Total expenditures	<u>6,064,844</u>	<u>5,066,101</u>	<u>3,024,498</u>	<u>1,868,291</u>
Net change in fund balances	<u>\$ 242,068</u>	<u>\$ (131,218)</u>	<u>\$ 523,992</u>	<u>\$ 503,407</u>

Source: Charter School's Records

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-5

General Fund Other Local Revenue by Source
Last Four Years
(Unaudited)

Function	2015	Fiscal Year Ended June 30,		2012
		2014	2013	
Other local revenues				
Miscellaneous	\$ 56,772	\$ 21,692	\$ 6,135	\$ 142,888
Total other local revenue	\$ 56,772	\$ 21,692	\$ 6,135	\$ 142,888

Source: Charter School's Records

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Four Years

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participatio n	Capital Leases	Bond Anticipatio n Notes (BANs)	Capital Leases			
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2013	-	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	-	0.00%	-

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

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

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-14

Demographic and Economic Statistics
Last Four Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2012	277,540	\$ 13,973,861,460	\$ 50,349	15.00%
2013	277,540	13,973,861,460	50,349	15.00%
2014	277,540	13,973,861,460	50,349	15.00%
2015	277,540	13,973,861,460	50,349	15.00%

Source:

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

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

^c Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

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

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-15

Principal Employers
Current Year
(Unaudited)

	2015		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u> <u>[Optional]</u>	<u>Percentage of</u> <u>Total Municipal</u> <u>Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airlines	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	103,126		73.66%

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Paterson-Economy.html>

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-16

Full-Time Equivalent Charter School Employees by Function/Program
Last Four Years
(Unaudited)

<u>Function/Program</u>	Fiscal Year Ended June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction				
Regular	20	13	8	5
Special education	1	1	1	1
Other instruction	58	58	46	24
Support Services:				
General administration	13	12	7	3
Other support services	3	2	1	1
Total	<u>95</u>	<u>86</u>	<u>63</u>	<u>34</u>

Source: Charter School Personnel Records

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-17

Operating Statistics

**Last Four Years
(Unaudited)**

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2012	127	\$ 1,404,265	\$ 11,057	N/A	30	1:4	127.0	120	N/A	94.49%
2013	196	3,024,498	15,431	39.56%	55	1:4	196.0	186	54.33%	94.90%
2014	260	5,023,907	19,323	25.22%	72	1:4	260.0	247	32.65%	95.00%
2015	331	6,049,159	18,275	18.43%	79	1:4	331.0	314	68.88%	95.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-18

School Building Information
Last Four Years
(Unaudited)

	Fiscal Year Ended June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Square Feet	29,000	24,000	15,000	10,000
Capacity (students)	400	300	200	150
Enrollment	331	260	196	127

Source: School Records

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-19

Schedule of Required Maintenance Expenditures
By School Facility*
Last Four Years
(Unaudited)

2012	\$ 306,369
2013	565,294
2014	1,107,338
2015	1,447,264
	<hr/>
Total	<u>\$ 3,426,265</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-20

Insurance Schedule

June 30, 2015
(Unaudited)

	<u>Coverage</u>
Commercial General Liability:	
Each Occurrence	\$ 1,000,000
Damage to Rented Premises	100,000
Medical Expense Limit Per Person	5,000
Personal and Adv Injury	1,000,000
General Aggregate	2,000,000
Products - Comp/Op Agg	2,000,000
Excess/Umbrella Liability:	
Each Occurrence	4,000,000
Aggregate	4,000,000
Workers Compension and Employers Liability:	
E.L Each Accident	1,000,000
E.L Disease - EA Employee	1,000,000
E.L Disease - Policy Limit	1,000,000
Directors & Officers Bonds	1,000,000
Property	100,000

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-21

Charter School Performance Framework Financial Indicators
New Term Indicators

June 30, 2015
(Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 615,139	\$ 819,074	\$ 711,698
Current assets	635,085	350,408	416,871
Capital assets, net	37,864	33,755	-
Total assets	<u>1,288,088</u>	<u>1,203,237</u>	<u>1,128,569</u>
Current liabilities	1,360,994	267,484	95,353
Long term liabilities	-	-	-
Total liabilities	<u>1,360,994</u>	<u>267,484</u>	<u>95,353</u>
Net position	<u>\$ (72,906)</u>	<u>\$ 935,753</u>	<u>\$ 1,033,216</u>
Total revenue	\$ 6,352,863	\$ 4,976,044	\$ 3,695,037
Total expenses	(5,826,239)	(5,073,507)	(3,175,088)
Change in net position	<u>\$ 526,624</u>	<u>\$ (97,463)</u>	<u>\$ 519,949</u>
Depreciation expense	\$ 11,576	\$ 8,439	\$ 11,500
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	331	260	196
March 30th budgeted enrollment	335	267	200

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>Three Year Cumulative</u>
NEAR TERM INDICATORS:				
Current ratio	0.92	4.37	11.84	17.13
Unrestricted days cash	38.54	58.93	81.81	179.28
Enrollment variance	99%	97%	98%	0.98
Default	N/A	N/A	N/A	N/A

Source: Charter School Records

GREAT OAKS CHARTER SCHOOL
County of Essex, New Jersey

J-22

Charter School Performance Framework Financial Indicators
Sustainability Indicators

June 30, 2015
(Unaudited)

	2015	2014	2013
Cash	\$ 615,139	\$ 819,074	\$ 711,698
Current assets	635,085	350,408	416,871
Capital assets, net	37,864	33,755	-
Total assets	<u>1,288,088</u>	<u>1,203,237</u>	<u>1,128,569</u>
Current liabilities	1,360,994	267,484	95,353
Long term liabilities	-	-	-
Total liabilities	<u>1,360,994</u>	<u>267,484</u>	<u>95,353</u>
Net position	<u>\$ (72,906)</u>	<u>\$ 935,753</u>	<u>\$ 1,033,216</u>
Total revenue	\$ 6,352,863	\$ 4,976,044	\$ 3,695,037
Total expenses	(5,826,239)	(5,073,507)	(3,175,088)
Change in net position	<u>\$ 526,624</u>	<u>\$ (97,463)</u>	<u>\$ 519,949</u>

Depreciation expense	\$ 11,576	\$ 8,439	\$ 11,500
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	331	260	196
March 30th budgeted enrollment	335	267	200

	2015	2014	2013	Three Year Cumulative
SUSTAINABILITY INDICATORS:				
Total margin	8%	-2%	14%	6%
Debt to asset	N/A	N/A	N/A	N/A
Cash flow	\$ (203,935)	\$ 107,376	\$ 241,541	\$ 144,982
Debt service coverage ratio	N/A	N/A	N/A	N/A

Source: Charter School Records

Single Audit Section



K-1

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

The Honorable Chairperson and
Members of the Board of Trustees
Great Oaks Charter School
County of Essex
Newark, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Great Oaks Charter School (“the Charter School”), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, and have issued our report thereon, dated August 31, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Ilori CPA LLC

August 31, 2015
Newark, New Jersey

Ilori CPA LLC
Certified Public Accountant

KunleIlori

Kunle B. Ilori, CPA
Licensed Public School Accountant
No. 20CS00233100



K-2

Independent Auditors' Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and State of New Jersey OMB's Circulars 04-04 and 15-08

The Honorable Chairperson and
Members of the Board of Trustees
Great Oaks Charter School
County of Essex,
Newark, New Jersey

Compliance

We have audited the Great Oaks Charter School ("the Charter School"), in the County of Essex, State of New Jersey ("the Charter School") compliance with the types of requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2015. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and State of New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and State of New Jersey OMB's Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey OMB's Circulars 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey OMB's Circulars 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

Ilori CPA LLC

August 31, 2015
Newark, New Jersey

Ilori CPA LLC
Certified Public Accountant

KunleIlori

Kunle B. Ilori, CPA
Licensed Public School Accountant
No. 20CS00233100

GREAT OAKS CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2013	Deferred Revenue at June 30, 2013	Due to Grantor at June 30, 2013	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2015	Deferred Revenue at June 30, 2015	Due to Grantor at June 30, 2015
Special Revenue Fund:														
U.S. Department of Education, Pass-Through Programs:														
Passed-Through New Jersey State Department of Education														
Title I Part A - FY 2014-2015	84.010A	7/1/14-6/30/15	\$ 184,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,190	\$ (184,137)	\$ -	\$ (18,947)	\$ -	\$ -
IDEA Part B - FY 2014-2015	84.027	7/1/14-6/30/15	51,792	-	-	-	-	-	51,792	(51,792)	-	-	-	-
Title II A - FY 2014-2015	84.367	7/1/14-6/30/15	2,497	-	-	-	-	-	2,497	(2,497)	-	-	-	-
Title I Part A - FY 2013-2014	84.010A	9/1/13-8/31/14	262,893	(64,353)	-	-	-	-	64,353	-	-	-	-	-
IDEA Part B - FY 2014-2015	84.027	9/1/13-8/31/14	40,056	(20,260)	-	-	-	-	20,260	-	-	-	-	-
Total for U.S. Department of Education, Pass-Through Programs				(84,613)	-	-	-	-	304,092	(238,426)	-	(18,947)	-	-
U.S. Corporation for National and Community Service, Pass-Through Program:														
Passed-Through New Jersey State Service Commission														
AmeriCorps	94.016	7/1/14-6/30/15	242,000	-	-	-	-	-	165,770	(229,015)	-	(63,245)	-	-
AmeriCorps	94.016	7/1/13-6/30/14	242,000	(35,300)	-	-	-	-	35,300	-	-	-	-	-
Total for U.S. Corporation for National and Community Service, Pass-Through Program				(35,300)	-	-	-	-	201,070	(229,015)	-	(63,245)	-	-
Total Special Revenue				(119,913)	-	-	-	-	505,162	(467,441)	-	(82,192)	-	-
Enterprise Fund:														
U.S. Department of Agriculture														
Passed-Through New Jersey Dept of Agriculture														
National School Lunch Program	10.555	7/1/14-6/30/15	129,845	-	-	-	-	-	105,159	(129,845)	-	(24,686)	-	-
National School Lunch Program	10.555	7/1/13-6/30/14	83,728	(14,360)	-	-	-	-	14,360	-	-	-	-	-
National School Breakfast Program	10.553	7/1/14-6/30/15	46,039	-	-	-	-	-	37,180	(46,039)	-	(8,859)	-	-
National School Breakfast Program	10.553	7/1/13-6/30/14	35,616	(6,491)	-	-	-	-	6,491	-	-	-	-	-
National After School Snacks	N/A	7/1/14-6/30/15	37,754	-	-	-	-	-	31,110	(37,754)	-	(6,644)	-	-
National After School Snacks	N/A	7/1/13-6/30/14	28,097	(4,969)	-	-	-	-	4,969	-	-	-	-	-
Total Enterprise Fund/Total U.S. Department of Agriculture				(25,820)	-	-	-	-	199,269	(213,638)	-	(40,189)	-	-
Total Expenditures of Federal Awards				\$ (145,733)	\$ -	\$ -	\$ -	\$ -	\$ 704,431	\$ (681,079)	\$ -	\$ (122,381)	\$ -	\$ -

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

GREAT OAKS CHARTER SCHOOL

Schedule of Expenditures of State Awards

Year ended June 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2014	Deferred Revenue at June 30, 2014	Due to Grantor at June 30, 2014	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2015	Deferred Revenue at June 30, 2015	Due to Grantor at June 30, 2015
State Department of Education														
General Fund:														
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$ 5,315,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,046,126	\$ (5,321,175)	\$ -	\$ (280,771)	\$ -	\$ 5,722
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	4,202,415	(79,597)	-	75,588	-	-	79,597	-	(75,588)	-	-	-
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	140,120	-	-	-	-	-	140,120	(140,120)	-	-	-	-
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	176,595	-	-	-	-	-	176,595	(176,595)	-	-	-	-
TPAF/FICA Reimbursements	15-495-034-5095-002	7/1/14-6/30/15	94,522	-	-	-	-	-	85,937	(94,522)	-	(8,585)	-	-
TPAF/FICA Reimbursements	14-495-034-5095-002	7/1/13-6/30/14	74,412	(3,360)	-	-	-	-	3,360	-	-	-	-	-
TPAF Post Retirement Medical Contribution	15-495-034-5094-001	7/1/14-6/30/15	46,566	-	-	-	-	-	46,566	(46,566)	-	-	-	-
TPAF Pension Contribution - Normal & NCGI	15-495-034-5094-006 & 007	7/1/14-6/30/15	29,333	-	-	-	-	-	29,333	(29,333)	-	-	-	-
Total General Fund				(82,957)	-	75,588	-	-	5,607,634	(5,808,311)	(75,588)	(289,356)	-	5,722
State Department of Agriculture														
Enterprise Fund:														
State School lunch program	15-100-010-3350-023	7/1/14-6/30/15	2,734	-	-	-	-	-	2,223	(2,734)	-	(511)	-	-
State School lunch program	14-100-010-3350-023	7/1/13-6/30/14	2,014	(355)	-	-	-	-	355	-	-	-	-	-
Total Enterprise Fund				(355)	-	-	-	-	2,578	(2,734)	-	(511)	-	-
Total State Financial Assistance				<u>\$ (83,312)</u>	<u>\$ -</u>	<u>\$ 75,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,610,212</u>	<u>(5,811,045)</u>	<u>\$ (75,588)</u>	<u>\$ (289,867)</u>	<u>\$ -</u>	<u>\$ 5,722</u>
Less Amounts Not Subject to Single Audit:														
TPAF Post Retirement Medical Contribution										46,566				
TPAF Pension Contribution - Normal & NCGI										29,333				
Total Expenditures of State Financial Assistance Subject to Single Audit										<u>\$ (5,735,146)</u>				

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

GREAT OAKS CHARTER SCHOOL
(County of Essex)

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2015

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey OMB's Circulars 04-04 and 15-08, *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

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made. The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2015

3. Relationship to Basic Financial Statements - *continued*

Federal awards and state financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ -	\$ 5,808,311	\$ 5,808,311
Special Revenue Fund	467,441	-	467,441
Enterprise Fund	213,638	2,734	216,372
Total	<u>\$ 681,079</u>	<u>\$ 5,811,045</u>	<u>\$ 6,492,124</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. Other Information

TPAF Social Security contribution in the amount of \$94,522 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. The amount reported as TPAF Pension System Contributions and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$75,899 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2015.

6. On Behalf Programs Not Subject to State Single Audit

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's financial statements and the amount subject to State single audit and major program determination.

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part I Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified? _____ Yes None reported

Noncompliance material to basic financial statements noted? _____ Yes No

Federal Awards:

Type of auditor's report on compliance for major programs: Unmodified

Internal control over major programs:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified? _____ Yes None reported

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A
94.016	AmeriCorps Program

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualifies as low-risk auditee? yes _____ No

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part I Summary of Auditors' Results

State Financial Assistance Section

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualifies as low-risk auditee? yes No

Type of auditor's report on compliance for major programs: Unmodified

Internal control over major programs:

Material weaknesses identified? Yes No

Significant deficiencies identified? Yes None reported

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB's Circulars 04-04 & 15-08? Yes No

Identification of Major Programs:

State Grant/Program Number(s)

Name of State Program or Cluster

15-495-034-5120-078

Equalization Aid - Cluster

15-495-034-5120-089

Special Education Aid - Cluster

15-495-034-5120-084

Security Aid - Cluster

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part II – Schedule of Financial Statement Findings

NONE

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part III – Schedule of Federal Awards and State Financial Assistance

NONE

GREAT OAKS CHARTER SCHOOL
(County of Essex)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

There were no prior year's audit findings.

GREAT OAKS CHARTER SCHOOL

Schedule of Expenditures of Local Financial Assistance

Year ended June 30, 2015

<u>Local Grantor/Program Title</u>	<u>Grant or Local Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>(Accounts Receivable) at June 30, 2014</u>	<u>Deferred Revenue at June 30, 2014</u>	<u>Due to Grantor at June 30, 2014</u>	<u>Adjustments</u>	<u>Carryover (Walkover) Amount</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Repayment of Prior Years' Balances</u>	<u>(Accounts Receivable) at June 30, 2015</u>	<u>Deferred Revenue at June 30, 2015</u>	<u>Due to Grantor at June 30, 2015</u>
Special Revenue Fund:														
Newark Charter School Fund	Not Available	Not Available	\$ 40,000	\$ (15,000)	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ (5,000)	\$ -	\$ -	\$ -	\$ -
Whole Foods Supermarket:														
Whole Kids - Garden Supplies	Not Available	Not Available	2,000	-	330	-	-	-	-	-	-	-	330	-
Total Local Financial Assistance				<u>\$ (15,000)</u>	<u>\$ 330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330</u>	<u>\$ -</u>