

***DISCOVERY CHARTER SCHOOL***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2015***

***DISCOVERY CHARTER SCHOOL***

***Discovery Charter School  
Newark, New Jersey***

***Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2015***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

***Prepared by***

***Discovery Charter School  
Finance Department***

***And***

***Barre & Company, CPAs***

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***INTRODUCTORY SECTION***

***DISCOVERY CHARTER SCHOOL  
240 HALSEY STREET  
NEWARK, NEW JERSEY 07102  
973-623-0222***

December 14, 2015

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Discovery Charter School (Charter School) for the fiscal year ended June 30, 2015. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

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

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

**Charter School Organization**

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

The Co-leaders are the chief executive officers of the Charter School, responsible to the Board for total educational and support operations. The Business Administrator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

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

The Charter School provides a full range of services appropriate to grade levels 4 through 8. The Charter School completed the 2014-2015 fiscal year with an enrollment of 80 students, which is the same as the previous year’s enrollment. The following details the changes in the student enrollment of the Charter School over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>
2014-2015	80
2013-2014	75
2012-2013	75
2011-2012	75
2010-2011	74

## **REPORTING ENTITY AND ITS SERVICES (CONTINUED):**

The Discovery Charter School operates a comprehensive ten-month middle school (September-June). Students attend classes from 8:45 am to 4:15 pm, which is an hour and forty-five minutes longer than most public schools. There are 15 students in a class. All students wear uniforms. Parents are heavily involved in school activities and governance.

**2) ENROLLMENT OUTLOOK:** Discovery Charter School enrolled seventy-five students 4<sup>th</sup> to 8<sup>th</sup> grades, for the 2014-2015 school year. The school hopes to enroll five more students next year.

### **3) MAJOR ACCOMPLISHMENTS:**

#### **Community/Philanthropy:**

A huge part of the Discovery Charter School experience is showing students the importance of philanthropy in their community. Discovery Charter School has undertaken numerous community-minded pilot projects that have grown into highly successful and respected programs at the school such as:

- **Kids In Business ®:** A program that operates in nine other public schools. Has raised and donated over \$200,000 to charity over its nearly twenty year lifespan.

#### **Test Scores/Disciplinary Records/Attendance Records:**

- The student average for both the NJASK tests for grades 4-8 exceeded the district average by 39% in Language Arts and 25% points above the district of residence (Newark) in Mathematics.
- In its fifteen years, Discovery Charter School has been one of the most sought-after learning institutions in Essex County, and Discovery has maintained full enrollment.
- In the annual parental survey, 100% of the parents asked to choose the highest grade possible for Discovery Charter School when questioned about the quality of their child's education.
- At Discovery Charter School, the scores of economically disadvantaged students were nearly equal to non-economically disadvantaged students on a variety of state tests.
- Teacher attendance was 98.2%, a full two percentage points over the state average.
- Discovery Charter School averaged 7 hours of instructional time a day. This was a full two hours more than the New Jersey State average despite a considerably lower cost per student.

**4) INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial

## **INTERNAL ACCOUNTING CONTROLS (CONTINUED):**

statements in conformity with generally accepted accounting principles (GAAP). 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;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. 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 internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2015.

**6) CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**7) RISK MANAGEMENT:** The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents.

**8) OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board of Trustees. 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 of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, "Audits of State, Local Governments and Non-Profit Organization" and State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

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

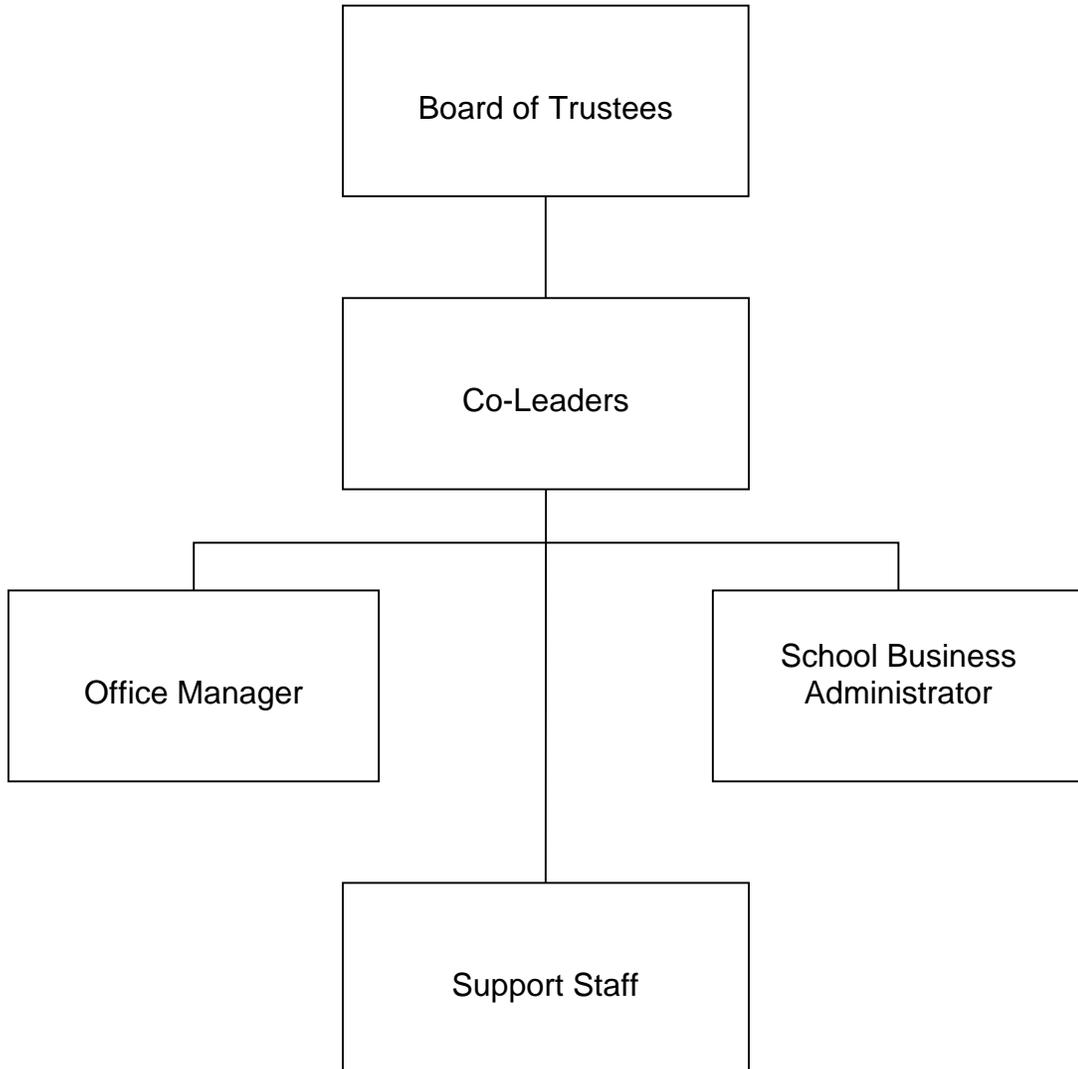
Respectfully submitted,



Irene Hall  
Co-Leader

# DISCOVERY CHARTER SCHOOL

## Organizational Chart



**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**ROSTER OF OFFICIALS  
June 30, 2015**

**Members of the Board of Trustees**

**Position**

Cheryl A. O'Brien

President

Mary Muldrow

Trustee

Irene Hall

Co-Leader (Non-voting)

Barbara Weiland

Co-Leader (Non-voting)

Albert Barre

SBA (Non-Voting)

Resa Drasin

Trustee

Daniel Berlin

Trustee

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, New Jersey 07083

***Official Depository***

TD Bank North  
105-109 Mulberry Street  
Newark, New Jersey 07102

***FINANCIAL SECTION***

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

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor’s Report**

Honorable President  
Members of the Board of Trustees  
Discovery Charter School  
County of Essex  
Newark, New Jersey

**Report on the Financial Statements**

We have audited the accompanying 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 Discovery Charter School (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***

The Charter School’s 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.

***Auditor’s Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of 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.

### ***Opinions***

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

### ***Emphasis of Matter***

As discussed in Note 7 to the basic financial statements, the Charter School implemented Governmental Accounting Standard Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to the GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 11 to the basic financial statements.

### ***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 starting on pages 16 and 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*," respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory 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 it.

### ***Other Reporting Required by Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey***

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated December 14, 2015 on our consideration of the Discovery Charter School's internal control over financial reporting and 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Richard M. Barre', with a stylized flourish at the end.

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

December 14, 2015

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The discussion and analysis of Discovery Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- ❖ General revenues accounted for \$1,434,339 in revenues or 94% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$90,913 or 6% percent of total revenues of \$1,525,252.
- ❖ The Charter School had \$1,474,920 in expenses; only \$90,913 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,434,339 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$1,385,274 in revenues and \$1,314,315 in expenditures. The General Fund's fund balance increased \$70,959 over 2014. This increase was anticipated by the Board of Trustees.
- ❖ During 2015, the Charter School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities.

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Discovery Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Discovery Charter School, the General Fund is by far the most significant fund.

**Reporting the Charter School as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

***Statement of Net Position and Statements of Activities (Continued)***

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service 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 funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

***Governmental Funds***

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. 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 statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer 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 governmental funds is reconciled in the financial statements.

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Reporting the Charter School's Most Significant Funds (Continued)**

***Enterprise Fund***

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

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 40 of this report.

**The Charter School as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position. The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net position were \$146,068 for 2015 and \$201,788 for 2014.

***Governmental Activities***

The Charter School's total revenues were \$1,460,265 for the year ended June 30, 2015 and \$1,351,225 for 2014. Federal, state, and local grants and state aid accounted for 87% for 2015 and 85% for 2014 of revenues which includes \$65,645 for 2015 and \$66,079 for 2014 of state reimbursed TPAF pension and social security contributions.

The total cost of all program and services was \$1,394,829 for 2015 and \$1,282,024 for 2014. Instruction comprises 54% for 2015 and 55% for 2014 of Charter School expenses.

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**The Charter School as a Whole (Continued)**

***Business-Type Activities***

Revenues for the Charter School's business-type activity (food service program) were comprised of charges for services and federal and state reimbursements.

- ❖ Food Service expenses exceeded revenues by \$15,104 for 2015 while revenues exceeded expenses by \$3,437 for 2014.
- ❖ Charges for services represent \$447 for 2015 and \$899 for 2014 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$64,540 for 2015 and \$44,797 for 2014.

**Governmental Activities**

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support Services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,460,265 for 2015 and \$1,351,225 for 2014 and expenditures were \$1,389,306 for 2015 and \$1,282,024 for 2014. The net change in fund balance for the year was an increase of \$70,959 for 2015 and a decrease of \$69,201 for 2014.

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 schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2014</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 195,419	13.38%	\$ (11,622)	-6%
State Sources	1,189,855	81.48%	116,370	11%
Federal Sources	74,991	5.14%	4,292	6%
 Total	 <u>\$ 1,460,265</u>	 <u>100.00%</u>	 <u>\$ 109,040</u>	

Local and State Sources increased due to additional aid and grants funding.

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2015, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2014	Percent of Increase/ (Decrease)
Instruction	\$ 607,582	43.74%	\$ 29,390	5%
Administration	532,956	38.36%	67,766	15%
Support Services	220,813	15.89%	(2,311)	-1%
Capital Outlay	27,955	2.01%	12,437	80%
<b>Total</b>	<b>\$ 1,389,306</b>	<b>100.00%</b>	<b>\$ 107,282</b>	

Changes in expenditures were the results of varying factors. Current expense increased due to salary increases, additional staff and students, and increased health benefits and utility costs.

**General Fund Budgeting Highlights**

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

Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

**For the Future**

The Discovery Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, the Discovery Charter School has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**DISCOVERY CHARTER SCHOOL  
NEWARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**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 show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Miss Irene Hall, Lead Person at Discovery Charter School, 240 Halsey Street, Newark, New Jersey 07102.

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

*The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.*

**DISCOVERY CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 302,508	\$ 4,785	\$ 307,293
Interfund Receivables	29,656	1,712	31,368
Receivables	1,078	6,133	7,211
Other Current Assets	11,344		11,344
<b>Total Assets</b>	<b>344,586</b>	<b>12,630</b>	<b>357,216</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	3,405		3,405
<b>Total Deferred Outflows of Resources</b>	<b>3,405</b>	<b>-</b>	<b>3,405</b>
<b>LIABILITIES:</b>			
Payable to State Government	9,135		9,135
Accounts Payable	23,839	1,139	24,978
Other Current Liabilities	65,460		65,460
Noncurrent Liabilities:			
Due Beyond One Year:			
Net Pension Liability	108,287		108,287
<b>Total Liabilities</b>	<b>206,721</b>	<b>1,139</b>	<b>207,860</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	6,693		6,693
<b>Total Deferred Inflows of Resources</b>	<b>6,693</b>	<b>-</b>	<b>6,693</b>
<b>NET POSITION:</b>			
Unassigned	134,577	11,491	146,068
<b>Total Net Position</b>	<b>\$ 134,577</b>	<b>\$ 11,491</b>	<b>\$ 146,068</b>

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

**DISCOVERY CHARTER SCHOOL**  
Statement of Activities  
For The Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 607,582	\$ 150,672	\$ -	\$ 25,926	\$ -	\$ (732,328)	\$ -	\$ (732,328)
Administration	346,454	41,353				(387,807)		(387,807)
Support Services	220,813					(220,813)		(220,813)
Capital Outlay	27,955					(27,955)		(27,955)
Total Governmental Activities	1,202,804	\$ 192,025	\$ -	25,926	\$ -	(1,368,903)	\$ -	(1,368,903)
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	80,091		447	64,540		(15,104)		(15,104)
Total Business-Type Activities	80,091		447	64,540		(15,104)		(15,104)
Total Primary Government	\$ 1,282,895		\$ 447	\$ 90,466	\$ -	\$ (1,368,903)	\$ (15,104)	\$ (1,384,007)
<b>GENERAL REVENUES</b>								
General Purposes			\$	171,945	\$	-	\$	171,945
Federal and State Aid Not Restricted				1,238,920				1,238,920
Investment Earnings				19				19
Miscellaneous Income				23,455				23,455
Total General Revenues				1,434,339				1,434,339
Change in Net Position				65,436		(15,104)		50,332
Net Position - Beginning of Year - Restated				69,141		26,595		95,736
Net Position - Ending			\$	134,577	\$	11,491	\$	146,068

**SECTION B – FUND FINANCIAL STATEMENTS**

*The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.*

***GOVERNMENTAL FUNDS***

**DISCOVERY CHARTER SCHOOL**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2015

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 302,508	\$ -	\$ 302,508
Interfund Receivables	29,656		29,656
Receivables From State Government	1,078		1,078
Other Assets	11,344		11,344
Total Assets	\$ 344,586	\$ -	\$ 344,586
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Payable to State Government	\$ 9,135	\$ -	\$ 9,135
Accounts Payable	23,839		23,839
Contracts Payable	65,460		65,460
Total Liabilities	98,434	-	98,434
Fund Balances:			
Unassigned:			
General Fund	246,152		246,152
Total Fund Balances	246,152	-	246,152
Total Liabilities and Fund Balances	\$ 344,586	\$ -	

Amounts reported for *governmental activities* in the statement of net position (A-1) which are different.

Net pension liability of \$108,287 ,deferred inflows of resources of \$6,693 less deferred outflows of resources of \$3,405 related to pensions are not reported in the governmental funds

(111,575)

Net Position of Governmental Activities

\$ 134,577

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

**DISCOVERY CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ 171,945	\$ -	\$ 171,945
Interest on Investments	19		19
Miscellaneous	23,455		23,455
Total Local Sources	195,419	-	195,419
State Sources	1,189,855		1,189,855
Federal Sources		74,991	74,991
Total Revenues	1,385,274	74,991	1,460,265
<b>EXPENDITURES:</b>			
Current:			
Instruction	547,400	60,182	607,582
Administration	532,956		532,956
Support Services	206,004	14,809	220,813
Capital Outlay	27,955		27,955
Total Expenditures	1,314,315	74,991	1,389,306
NET CHANGE IN FUND BALANCES	70,959	-	70,959
FUND BALANCES, JULY 1	175,193	-	175,193
FUND BALANCES, JUNE 30	\$ 246,152	\$ -	\$ 246,152

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

**DISCOVERY CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental fund (from B-2)	\$	70,959
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.		(5,523)
Change in net position of governmental activities	\$	65,436

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

***PROPRIETARY FUNDS***

**DISCOVERY CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Net Position  
 June 30, 2015

**Business-type Activities - Enterprise Fund**

	<u>Food Service</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 4,785
Due From Other Funds	1,712
Intergovernmental Accounts Receivable:	
Federal	6,058
State	<u>75</u>
 Total Assets	 <u><u>\$ 12,630</u></u>
 <b>NET POSITION:</b>	
Liabilities:	
Accounts Payable	<u>\$ 1,139</u>
 Total Liabilities	 <u>1,139</u>
 Net Position:	
Unassigned	<u>11,491</u>
 Total Net Position	 <u>11,491</u>
 Total Net Position	 <u><u>\$ 12,630</u></u>

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

**DISCOVERY CHARTER SCHOOL**  
 Proprietary Fund  
 Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position  
 For the Fiscal Year Ended June 30, 2015

<b>Business-type Activities - Enterprise Fund</b>	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 447
Total Operating Revenues	<u>447</u>
OPERATING EXPENSES:	
Salaries	20,185
Supplies and Materials	13,308
Cost of Sales	46,563
Miscellaneous Expenses	<u>35</u>
Total Operating Expenses	<u>80,091</u>
OPERATING LOSS	<u>(79,644)</u>
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	761
Federal Source:	
National School Breakfast and Lunch Program	60,573
U.S.D.A. Commodities	<u>3,206</u>
Total Nonoperating Revenues	<u>64,540</u>
CHANGE IN NET POSITION	(15,104)
TOTAL NET POSITION, JULY 1	<u>26,595</u>
TOTAL NET POSITION, JUNE 30	<u><u>\$ 11,491</u></u>

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

**DISCOVERY CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Cash Flows  
 For the Fiscal Year Ended June 30, 2015

<b>Business-type Activities - Enterprise Fund</b>	<b>Food Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 14,636
Cash Payments to Suppliers and Employees	(78,137)
Net Cash Used In Operating Activities	(63,501)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received From State And Federal Reimbursements	64,540
Net Cash Provided By Noncapital Financing Activities	64,540
Net Increase In Cash And Cash Equivalents	1,039
Cash And Cash Equivalents, Beginning Of Year	3,746
Cash And Cash Equivalents, End Of Year	\$ 4,785
 <b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</b>	
Operating Loss Used for Operating Activities	\$ (79,644)
Depreciation	
Change In Assets And Liabilities:	
Decrease In Due From Other Funds	815
Decrease In Receivables From Other Governments	14,189
Increase In Accounts Payable	1,139
Net Cash Used In Operating Activities	\$ (63,501)

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

***FIDUCIARY FUNDS***

**DISCOVERY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2015

	Unemployment Compensation Trust	Teachers Fund Trust Account <i>(Initial Year)</i>	Student Scholarship Trust Account <i>(Initial Year)</i>	Agency Fund
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 7,127	\$ 11,547	\$ 12,147	\$ 31,393
Interfund Accounts Receivable				
<b>Total Assets</b>	<u>7,127</u>	<u>11,547</u>	<u>12,147</u>	<u>\$ 31,393</u>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	1,897			\$ 29,470
Payroll Deductions and Withholdings Due to Student Groups				1,922
<b>Total Liabilities</b>	<u>1,897</u>	<u>-</u>	<u>-</u>	<u>\$ 31,393</u>
<b>NET POSITION:</b>				
Held in Trust for Claims	<u>5,230</u>	<u>11,547</u>	<u>12,147</u>	
<b>Total Net Position</b>	<u>\$ 5,230</u>	<u>\$ 11,547</u>	<u>\$ 12,147</u>	

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

**DISCOVERY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For the Fiscal Year Ended June 30, 2015

	Unemployment Compensation Insurance	Teachers Fund Trust Account <i>(Initial Year)</i>	Student Scholarship Trust Account <i>(Initial Year)</i>
ADDITIONS:			
Fundraising Income	\$ -	\$ 5	\$ 605
Total Additions	-	5	605
DEDUCTIONS:			
Fundraising Expense	-	15	15
Total Deductions	-	15	15
CHANGE IN NET POSITION	-	(10)	590
NET POSITION, JULY 1	5,230	11,557	11,557
NET POSITION, JUNE 30	\$ 5,230	\$ 11,547	\$ 12,147

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

***NOTES TO THE FINANCIAL STATEMENTS***

## DISCOVERY CHARTER SCHOOL

### Notes to the Financial Statements

June 30, 2015

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

#### **A. Reporting Entity**

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 1997 and opened in Fall 1999 to operate and maintained a public school under a charter granted by the State of New Jersey. The Charter School consists of eleven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Discovery Charter School include a Grade 4 through 8 school located in the City of Newark. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

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

*Charter School-wide 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 overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*Fund Financial Statements:* During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following *governmental* funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those 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 subfund. As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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 grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by School Board resolution.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

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

Proprietary Fund Types: These funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

The Charter School reports the following *proprietary* fund:

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

Fiduciary Funds: The funds are used to account for assets held by the Charter School on behalf of others.

The Charter School reports the following *fiduciary* funds:

Agency Funds: The agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments, or on behalf of other funds within the Charter School. The agency funds included are as follows:

Payroll and Student Activities Funds: These are agency funds 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 involve measurement of results of operations.

Unemployment Insurance Trust Fund: An expendable trust fund used to account for deductions from employees' salaries which are utilized to pay unemployment compensation claims as they arise.

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

**C. Basis of Accounting – Measurement Focus**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements:* The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting while the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting – Measurement Focus (Continued)**

**D. Budgets/Budgetary Control**

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

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

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

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

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 74,991
Adjustments:	
Less Encumbrances at June 30, 2015	-
Plus Encumbrances at June 30, 2014	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 74,991</u>

**E. Encumbrances Accounting**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenues fund are reported as reservations of fund balances at fiscal yearend as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

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

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Equity**

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund Transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Prepaid Expenses:

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

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & computer equipment	5-10

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-term Obligations:**

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-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.

**Net Position:**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Balance Reserves:**

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances in accordance with N.J.S.A. 18:F7.

**Revenues — Exchange and Nonexchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales in the Enterprise Fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**Allocation of Indirect Expenses:**

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Management Estimates:

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

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

**G. PENSIONS**

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 pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

**Deposits**

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
- c. Bonds or other obligations of the Charter School.

As of June 30, 2015, cash and cash equivalents and investments of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 302,508</u>	<u>\$ 4,785</u>	<u>\$ 62,214</u>	<u>\$ 369,507</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2015 was \$369,507 and the bank balance was \$397,187. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Risk Category**

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board'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 Board's name.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of June 30, 2015, the Charter School had funds on deposit in checking accounts. These funds constitute deposits with financial institutions” as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**New Jersey Cash Management Fund**

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2015, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2015, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 1,078	\$ 1,153
Federal Aid	-	6,058
Other	-	-
Gross Receivables	<u>1,078</u>	<u>7,211</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 1,078</u>	<u>\$ 7,211</u>

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to repay expenses paid by another fund. The following interfund balances remained on the fund financial statements at June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 29,656	\$ -
Proprietary Fund	1,712	
Fiduciary Fund		31,368
Total	<u>\$ 31,368</u>	<u>\$ 31,368</u>

**NOTE 5: RENTAL LEASE**

The school entered into a new lease for the premises located at 240 Halsey Street, Newark, New Jersey. The Charter School moved into the new premises in late June, 2013, after completion of the school year. The effective commencement date of the new lease is June 30, 2013, and said lease runs for a term of twenty (20) years. Total lease payments for the year ended June 30, 2015 amounted to \$165,704.

The future minimum rental payments are as follows:

Year Ended June 30,	Amount
2016	\$ 166,988
2017	171,997
Total future minimum rental lease payments	<u>\$ 338,985</u>

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 6: EQUIPMENT RENTAL LEASE**

The school also entered into a new equipment lease for a Konica Minolta Copier. The commencement date of the equipment lease is September 18, 2013, for a five year period, at a monthly rental of \$1,527.80. The future minimum rental payments on the equipment lease are as follows;

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 18,334
2017	18,334
Total future minimum equipment lease payments	
	<u>\$ 36,668</u>

**NOTE 7: PENSION PLANS**

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

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

**Plan Description**

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefits Provided**

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

**Benefits Provided (Continued)**

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 15A and required contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

**Contributions (Continued)**

beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 4,768 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the Charter School reported a liability of \$ 108,287 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 which was rolled forward to June 30, 2014. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Charter School's proportion was 0.0005783701% , which was a decrease of -0.00000147% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2014, the Charter School recognized pension expense of \$ 4,369 . At June 30, 2014, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 3,405	\$ -
Changes in Proportion	-	238
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	6,453
	\$ 3,405	\$ 6,691

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

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

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

Fiscal Year Ending June 30,	Total
2015	\$ (1,399)
2016	(1,399)
2017	(1,399)
2018	(1,399)
2019	1,098
Thereafter	483
	<u>\$ (4,014)</u>

**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 valuations as of July 1, 2013. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female 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.

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' 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%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgage	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. 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 June 30, 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 June 30, 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 contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments 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**

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, 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:

Fiscal Year Ended June 30, 2014			
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the Net Pension Liability	\$ 136,228	\$ 108,287	\$ 84,823

Fiscal Year Ended June 30, 2013			
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Charter School's proportionate share of the Net Pension Liability	\$ 137,956	\$ 110,820	\$ 88,083

**Pension Plan Fiduciary Net Position**

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

**B. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

**Pension Description (Continued)**

employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefit Provided**

The vesting and benefit provision 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 of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**Contributions**

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2014 and 2013, the State's pension contribution was less than the actuarially determined amount.

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

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

**Contributions (Continued)**

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2015, the State of New Jersey contributed \$ 8,826 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 12,834 .

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

As June 30, 2015, the State's proportionate share of the net pension liability associated with the Charter School was \$ 1,614,769 . The net pension liability was measured as of June 30, 2014, and the total pension liability used 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.

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

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

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, Charter School's proportion was 0.0030212671% , which was a decrease of -0.0009890% from its proportion measured as of June 30, 2013.

Charter School's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>1,614,769</u>
Total	\$	<u><u>1,614,769</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the Charter School in the amount of \$ 12,834 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 2,306,623,861	\$ -
Difference Between Expected and Actual Experience		21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

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

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

The \$ 2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 1,763,205,593 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,498)
2020	304,620,646
Thereafter	761,551,612
	<u>\$ 543,418,266</u>

**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, 2013. 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 Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables 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 200 until the valuation date plus 15 years to account for

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

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

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.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2014 is summarized in the following table:

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

**Long Term Expected Rate of Return (Continued)**

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-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. 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%

**Discount Rate – TPAF**

The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and June 30, 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 June 30, 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

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

**Discount Rate – TPAF (Continued)**

assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on 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**

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2014					
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)		
Charter School's proportionate share of the Net Pension Liability	\$ 1,955,454	\$ 1,625,837	\$ 1,351,681		

Fiscal Year Ended June 30, 2013					
	1% Decrease (3.95%)	Current Discount Rate (4.95%)	1% Increase (5.95%)		
Charter School's proportionate share of the Net Pension Liability	\$ 2,446,960	\$ 2,036,829	\$ 1,698,410		

**DISCOVERY CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2015

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

**Pension Plan Fiduciary Net Position – TPAF**

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

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

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

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

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

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

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

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

During the year ended June 30, 2015, the State of New Jersey contributed \$39,990 to the TPAF for normal cost pension contributions and post-retirement medical benefits on behalf of the Charter School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$25,655 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. These amounts have been included in the basic financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GABS No. 24.

**NOTE 8: POST-RETIREMENT BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2013 there were 100,134 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2016.

**NOTE 9: RISK MANAGEMENT**

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

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 9: RISK MANAGEMENT (CONTINUED)**

**Property and Liability Insurance**

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

**New Jersey Unemployment Compensation Insurance**

Prior to January 27, 2014, the charter school had elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the charter school was required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State.

A resolution was passed by the Board of Trustees on January 27, 2014 to change the unemployment contribution to the "Contributory Method" where the Charter School will now remit the entire employee deduction to the Commissioner of Labor. As of June 30, 2015, there remains a balance of \$5,230 in the school's Unemployment Compensation trust account.

**NOTE 10: FUND BALANCE**

**General Fund**

Of the \$246,152 General Fund's fund balance at June 30, 2015, \$246,152 is unreserved and undesignated

**DISCOVERY CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2015

**NOTE 11: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014.

Net Position at June 30, 2014	\$	175,193
Adjustments:		
Net Pension Liability		(110,820)
Deferred Outflow - Payments Subsequent to Measurement Date		<u>4,768</u>
Total Adjustments		<u>(106,052)</u>
Restated Net Position June 30, 2014	\$	69,141

**NOTE 12: SUBSEQUENT EVENTS**

The Discovery Charter School 's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit.

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

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

**DISCOVERY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 158,760	\$ 13,185	\$ 171,945	\$ 171,945	\$ -
<b>Total Local Levy Budget</b>	<b>158,760</b>	<b>13,185</b>	<b>171,945</b>	<b>171,945</b>	<b>-</b>
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	975,240	78,453	1,053,693	1,053,693	-
Special Education	13,840	12,086	25,926	25,926	-
Security Aid	44,480	111	44,591	44,591	-
<b>Total Categorical Aid</b>	<b>1,033,560</b>	<b>90,650</b>	<b>1,124,210</b>	<b>1,124,210</b>	<b>-</b>
Revenues From Other Sources:					
Interest Income	65	-	65	19	(46)
Donations and Contributions	7,200	-	7,200	23,455	16,255
On-Behalf TPAF Pension Contributions (Non-Budgeted)	-	-	-	39,990	39,990
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	25,000	-	25,000	25,655	655
<b>Total Revenues From Other Sources</b>	<b>32,265</b>	<b>-</b>	<b>32,265</b>	<b>89,119</b>	<b>56,854</b>
<b>Total Revenues</b>	<b>1,224,585</b>	<b>103,835</b>	<b>1,328,420</b>	<b>1,385,274</b>	<b>56,854</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	334,000	(1,508)	332,492	332,492	-
Other Salaries for Instruction	37,500	47,630	85,130	85,130	-
Purchased Prof/Tech Services	32,500	5,137	37,637	37,637	-
Other Purchased Services	7,500	15,000	22,500	22,237	263
General Supplies	8,500	47,821	56,321	56,321	-
Textbooks	10,000	(8,381)	1,619	1,619	-
Miscellaneous	10,000	1,964	11,964	11,964	-
<b>Total Instruction</b>	<b>440,000</b>	<b>107,663</b>	<b>547,663</b>	<b>547,400</b>	<b>263</b>
Administration:					
Salaries - General Administration	95,500	9,087	104,587	93,495	11,092
Salaries of Secretarial/Clerical Assistants	23,000	5,959	28,959	21,126	7,833
Total Benefits Cost	219,530	(63,909)	155,621	126,380	29,241
Purchases Prof/Tech Services	50,000	74,936	124,936	111,926	13,010
Other Purchased Services	32,000	19,000	51,000	42,046	8,954
Communications/Telephone	15,000	20,125	35,125	35,125	-
Supplies and Materials	20,000	14,609	34,609	34,609	-
Miscellaneous Expenses	3,500	4,000	7,500	2,604	4,896
<b>Total Administration</b>	<b>458,530</b>	<b>83,807</b>	<b>542,337</b>	<b>467,311</b>	<b>75,026</b>

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

**DISCOVERY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Rental of Land and Buildings	\$ 175,000	\$ -	\$ 175,000	\$ 165,704	\$ 9,296
Transportation-Other Than To/From School	10,000	-	10,000	3,665	6,335
Insurance for Property, Liability and Fidelity	25,000	-	25,000	17,546	7,454
Supplies and Materials	12,000	-	12,000	6,014	5,986
Energy Costs (Heat and Electricity)	20,000	10,000	30,000	13,022	16,978
Miscellaneous Expenses	5,500	(4,000)	1,500	53	1,447
<b>Total Support Services</b>	<b>247,500</b>	<b>6,000</b>	<b>253,500</b>	<b>206,004</b>	<b>47,496</b>
Capital Outlay:					
Instructional Equipment	3,000	25,000	28,000	27,955	45
<b>Total Capital Outlay</b>	<b>3,000</b>	<b>25,000</b>	<b>28,000</b>	<b>27,955</b>	<b>45</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)	-	-	-	39,990	(39,990)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	25,655	(25,655)
<b>Total Expenditures</b>	<b>1,149,030</b>	<b>222,470</b>	<b>1,371,500</b>	<b>1,314,315</b>	<b>57,185</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,555	(118,635)	(43,080)	70,959	114,039
<b>FUND BALANCE, JULY 1</b>	<b>175,193</b>	<b>-</b>	<b>175,193</b>	<b>175,193</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 250,748</b>	<b>\$ (118,635)</b>	<b>\$ 132,113</b>	<b>\$ 246,152</b>	<b>\$ 114,039</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 250,748	\$ (118,635)	\$ 132,113	\$ 246,152	\$ 114,039
Budgeted Fund Balance	\$ 250,748	\$ (118,635)	\$ 132,113	\$ 246,152	\$ 114,039
<b>Total</b>	<b>\$ 250,748</b>	<b>\$ (118,635)</b>	<b>\$ 132,113</b>	<b>\$ 246,152</b>	<b>\$ 114,039</b>

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

**DISCOVERY CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Federal	\$ 74,991	\$ -	\$ 74,991	\$ 74,991	\$ -
<b>Total Revenues</b>	<u>74,991</u>	<u>-</u>	<u>74,991</u>	<u>74,991</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	60,181	-	60,181	60,181	-
General Supplies	1	-	1	1	-
<b>Total Instruction</b>	<u>60,182</u>	<u>-</u>	<u>60,182</u>	<u>60,182</u>	<u>-</u>
Support Services:					
Personal Services - Employee Benefits	14,809	-	14,809	14,809	-
<b>Total Support Services</b>	<u>14,809</u>	<u>-</u>	<u>14,809</u>	<u>14,809</u>	<u>-</u>
<b>Total Expenditures</b>	<u>74,991</u>	<u>-</u>	<u>74,991</u>	<u>74,991</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**DISCOVERY CHARTER SCHOOL**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Note to RSI  
 Fiscal Year Ended June 30, 2015

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 1,385,274	[C-2] \$ 74,991
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	 	 -
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>1,385,274</u>	[B-2] \$ <u>74,991</u>
 <b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 1,314,315	[C-2] 74,991
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	 	 -
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>1,314,315</u>	[B-2] \$ <u>74,991</u>

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***

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

**DISCOVERY CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST 2 FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
Charter School's proportion of the net pension liability	0.0005798432%	0.0005783701%
Charter School's proportionate share of the net pension liability	\$ 110,820	\$ 108,287
Charter School's covered employees payroll	\$ 118,978	\$ 211,790
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	93%	51%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

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

**DISCOVERY CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST 2 FISCAL YEARS  
UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
Contractually required contribution	\$ 4,369	\$ 4,768
Contributions in relation to the contractually required contribution	<u>(4,369)</u>	<u>(4,768)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 118,978	\$ 211,790
Contributions as a percentage of covered employee payroll	3.67%	2.25%

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

**DISCOVERY CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**LAST 2 FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
State's proportion of the net pension liability attributable of the Charter School	0.0040102549%	0.0030212671%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 2,026,751	\$ 1,614,769
CS / District's covered employees payroll	\$ 440,986	\$ 357,442
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	459.59%	451.76%
Plan fiduciary net position as a p ercentage of the total pension liability	33.76%	33.64%

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

**DISCOVERY CHARTER SCHOOL  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS  
 TEACHER'S PENSION AND ANNUITY FUND  
 LAST FISCAL YEAR  
 UNAUDITED**

	<i>Fiscal year</i> Ending June 30, <u>2015</u>
Contractually required contribution	\$ 4,768
Contributions in relation to the contractually required contribution	<u>(4,768)</u>
Contribution deficiency/(excess)	<u>\$ -</u>
Charter School's covered employee payroll	\$ 357,442
Contributions as a percentage of covered employee payroll	1.33%

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

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III***

**DISCOVERY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2014**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

**DISCOVERY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2014**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

***OTHER SUPPLEMENTARY INFORMATION***

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

*The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.*

**DISCOVERY CHARTER SCHOOL**  
Special Revenue Fund  
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2015

	NCLB Title I	I.D.E.A. Part B	NCLB Title II	Grand Total
<b>REVENUE SOURCES:</b>				
Federal	\$ 52,827	\$ 17,250	\$ 4,914	\$ 74,991
Total Revenues	52,827	17,250	4,914	74,991
<b>EXPENDITURES:</b>				
Instruction:				
Salaries	41,926	13,690	4,565	60,181
General Supplies	-	1	-	1
Total Instruction	41,926	13,691	4,565	60,182
Support Services:				
Personal Services - Employee Benefits	10,901	3,559	349	14,809
Total Support Services	10,901	3,559	349	14,809
Total Expenditures	52,827	17,250	4,914	74,991
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

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

*Food Services Fund – The fund provides for the operation of food services in all schools within the Charter School.*

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

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENTS**

***Fiduciary Funds are used to account for funds received by the Charter School for a specific purpose.***

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

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

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

***Payroll Fund – this agency fund is used to account for payroll transactions of the Charter School.***

**DISCOVERY CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 As of June 30, 2015

	Trust			Agency			
	Teachers Trust Fund Account (Initial Year)	Students Scholarship Trust Account (Initial Year)	Total Trust Fund	Payroll Agency	Net Payroll	Student Activities	Total Agency Fund
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 7,127	\$ 11,547	\$ 30,821	\$ 12,184	\$ 17,287	\$ 1,922	\$ 31,393
Interfund Accounts Receivable			-				-
<b>Total Assets</b>	<b>7,127</b>	<b>11,547</b>	<b>30,821</b>	<b>12,184</b>	<b>17,287</b>	<b>1,922</b>	<b>31,393</b>
<b>LIABILITIES:</b>							
Interfund Accounts Payable	1,897		1,897	12,183	17,287	-	29,470
Payroll Deductions and Withholdings Due to Student Groups						1,922	1,922
<b>Total Liabilities</b>	<b>1,897</b>	<b>-</b>	<b>1,897</b>	<b>12,184</b>	<b>17,287</b>	<b>1,922</b>	<b>31,393</b>
<b>NET POSITION:</b>							
Held in Trust for Claims	5,230	11,547	28,924				
<b>Total Net Position</b>	<b>\$ 5,230</b>	<b>\$ 11,547</b>	<b>\$ 28,924</b>				

**DISCOVERY CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Changes in Fiduciary Net Position  
 Trust Funds  
 For the Fiscal Year Ended June 30, 2015

	Unemployment Compensation Insurance	Teachers Trust Fund Account <i>(Initial Year)</i>	Students Scholarship Trust Account <i>(Initial Year)</i>	Total Trust Fund
ADDITIONS:				
Fundraising Income	\$ -	\$ 5	\$ 605	\$ 610
Total Additions	-	5	605	610
DEDUCTIONS:				
Fundraising Expense		15	15	30
Total Deductions	-	15	15	30
CHANGE IN NET POSITION	-	(10)	590	580
NET POSITION, JULY 1	5,230	11,557	11,557	28,344
NET POSITION, JUNE 30	\$ 5,230	\$ 11,547	\$ 12,147	\$ 28,924

**Discovery Charter School**  
 Fiduciary Funds  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2015</u>
Kid's in Business	\$ 1,338	\$ 584	\$ -	\$ 1,922
Total	<u>\$ 1,338</u>	<u>\$ 584</u>	<u>\$ -</u>	<u>\$ 1,922</u>

**Discovery Charter School**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Receipts	Disbursements	Balance June 30, 2015
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 10,098	\$ 252,008	\$ 249,922	\$ 12,184
<b>Total Assets</b>	<b>\$ 10,098</b>	<b>\$ 252,008</b>	<b>\$ 249,922</b>	<b>\$ 12,184</b>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 6,041	\$ 6,142	\$ -	\$ 12,183
Accounts Payable	4,057	-	4,056	1
Payroll Deductions and Withholdings	-	245,866	245,866	-
<b>Total Liabilities</b>	<b>\$ 10,098</b>	<b>\$ 252,008</b>	<b>\$ 249,922</b>	<b>\$ 12,184</b>

**STATISTICAL SECTION (UNAUDITED)**

***GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.***

**Contents**

**Financial Trends**

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

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

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

***FINANCIAL TRENDS***

**DISCOVERY CHARTER SCHOOL**  
 Net Assets/Position by Component  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities</b>										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,276
Unrestricted	134,577	175,193	105,992	208,515	197,245	301,252	282,853	399	19,680	54,450
<b>Total Governmental Activities Net Assets/Position</b>	<u>\$ 134,577</u>	<u>\$ 175,193</u>	<u>\$ 105,992</u>	<u>\$ 208,515</u>	<u>\$ 197,245</u>	<u>\$ 301,252</u>	<u>\$ 282,853</u>	<u>\$ 399</u>	<u>\$ 19,680</u>	<u>\$ 59,726</u>
<b>Business-Type Activities</b>										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	11,491	26,595	23,158	9,611	30,663	29,959	19,334	11,095	5,864	7,898
<b>Total Business-Type Activities Net Assets/Position</b>	<u>\$ 11,491</u>	<u>\$ 26,595</u>	<u>\$ 23,158</u>	<u>\$ 9,611</u>	<u>\$ 30,663</u>	<u>\$ 29,959</u>	<u>\$ 19,334</u>	<u>\$ 11,095</u>	<u>\$ 5,864</u>	<u>\$ 7,898</u>
<b>Charter School-wide</b>										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,276
Unrestricted	146,068	201,788	129,150	218,126	227,908	331,211	302,187	11,494	25,544	62,348
<b>Total Charter School-wide Net Assets/Position</b>	<u>\$ 146,068</u>	<u>\$ 201,788</u>	<u>\$ 129,150</u>	<u>\$ 218,126</u>	<u>\$ 227,908</u>	<u>\$ 331,211</u>	<u>\$ 302,187</u>	<u>\$ 11,494</u>	<u>\$ 25,544</u>	<u>\$ 67,624</u>

**Source: Comprehensive Annual Financial Report**

**DISCOVERY CHARTER SCHOOL**  
 Changes in Net Assets/Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)  
 Unaudited

	Fiscal Year Ending June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 758,254	\$ 704,101	\$ 742,312	\$ 573,967	\$ 679,155	\$ 555,155	\$ 502,757	\$ 493,104	\$ 530,706	\$ 552,595
Administration	387,807	339,281	431,870	489,015	325,262	362,295	206,803	285,890	221,573	179,483
Support Services	220,813	223,124	209,143	204,169	250,032	325,280	200,968	217,885	453,520	654,337
Capital Outlay	27,955	15,518	14,683	6,801	-	-	3,000	3,000	-	6,903
Total Governmental Activities Expenses	1,394,829	1,282,024	1,398,008	1,273,952	1,254,449	1,242,730	913,528	999,879	1,205,799	1,393,318
Business-Type Activities:										
Food Service	80,091	42,259	36,708	63,456	35,826	21,638	20,734	23,903	34,170	23,405
Total Business-Type Activities Expenses	80,091	42,259	36,708	63,456	35,826	21,638	20,734	23,903	34,170	23,405
Total Charter School Expenses	\$ 1,474,920	\$ 1,324,283	\$ 1,434,716	\$ 1,337,408	\$ 1,290,275	\$ 1,264,368	\$ 934,262	\$ 1,023,782	\$ 1,239,969	\$ 1,416,723
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	25,926	12,963	17,862	24,045	25,480	19,626	25,666	37,250	53,080	70,512
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Revenues	25,926	12,963	17,862	24,045	25,480	19,626	25,666	37,250	53,080	70,512
Business-Type Activities:										
Charges for Services	447	899	-	563	984	1,438	1,296	712	2,845	2,267
Operating Grants and Contributions	64,540	44,797	50,255	41,837	35,531	30,797	27,657	28,172	28,111	22,093
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Revenues	64,987	45,696	50,255	42,400	36,515	32,235	28,953	28,884	30,956	24,360
Total Charter School Program Revenues	\$ 90,913	\$ 58,659	\$ 66,117	\$ 66,445	\$ 61,995	\$ 51,861	\$ 54,619	\$ 66,134	\$ 84,036	\$ 94,872
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (1,368,903)	\$ (1,269,061)	\$ (1,380,146)	\$ (1,249,907)	\$ (1,228,969)	\$ (1,223,104)	\$ (887,862)	\$ (962,629)	\$ (1,152,719)	\$ (1,322,806)
Business-Type Activities	(15,104)	3,437	13,547	(21,056)	689	10,597	8,219	4,981	(3,214)	955
Total Charter School-wide Net Expense	\$ (1,384,007)	\$ (1,265,624)	\$ (1,366,599)	\$ (1,270,963)	\$ (1,228,280)	\$ (1,212,507)	\$ (879,643)	\$ (957,648)	\$ (1,155,933)	\$ (1,321,851)
<b>General Revenues and Other Changes in Net Assets/Position</b>										
Governmental Activities:										
General Purposes	\$ 171,945	\$ 154,133	\$ 143,893	\$ 134,976	\$ 126,580	\$ 99,750	\$ 139,469	\$ 173,295	\$ 135,258	\$ 128,120
Federal and State Aid Not Restricted	1,238,920	1,131,221	1,113,208	1,065,572	967,635	1,054,859	993,575	692,392	921,871	1,137,779
Investment Earnings	19	-	1	107	-	-	-	-	-	-
Miscellaneous Income	23,455	52,908	20,521	60,522	30,747	86,894	36,395	77,661	55,544	9,284
Total Governmental Activities	1,434,339	1,338,262	1,277,623	1,261,177	1,124,962	1,241,503	1,169,439	943,348	1,112,673	1,275,183
Business-Type Activities:										
Investment Earnings	-	-	-	4	16	29	20	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	250	1,180	1,810
Total Business-Type Activities	-	-	-	4	16	29	20	250	1,180	1,810
Total Charter School-wide	\$ 1,434,339	\$ 1,338,262	\$ 1,277,623	\$ 1,261,181	\$ 1,124,978	\$ 1,241,532	\$ 1,169,459	\$ 943,598	\$ 1,113,853	\$ 1,276,993
<b>Change in Net Assets/Position</b>										
Governmental Activities	\$ 65,436	\$ 69,201	\$ (102,523)	\$ 11,270	\$ (104,007)	\$ 18,399	\$ 281,577	\$ (19,281)	\$ (40,046)	\$ (47,623)
Business-Type Activities	(15,104)	3,437	13,547	(21,052)	705	10,626	8,239	5,231	(2,034)	2,765
Total Charter School	\$ 50,332	\$ 72,638	\$ (88,976)	\$ (9,782)	\$ (103,302)	\$ 29,025	\$ 289,816	\$ (14,050)	\$ (42,080)	\$ (44,858)

**DISCOVERY CHARTER SCHOOL**  
 Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,276
Restricted	246,152	175,193	105,992	208,515	197,245	301,252	282,853	399	19,680	54,450
Unassigned	\$ 246,152	\$ 175,193	\$ 105,992	\$ 208,515	\$ 197,245	\$ 301,252	\$ 282,853	\$ 399	\$ 19,680	\$ 59,726
Total General Fund										

**Source: Comprehensive Annual Financial Report**

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

Fiscal Year Ending June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
Local Sources:										
Local Tax Levy	\$ 171,945	\$ 154,133	\$ 143,893	\$ 134,976	\$ 126,580	\$ 99,750	\$ 139,469	\$ 173,295	\$ 135,258	\$ 128,120
Interest In Investments	19	-	1	107	-	-	-	-	-	-
Miscellaneous	23,455	52,908	20,521	60,522	30,747	86,894	36,395	77,661	55,544	20,284
State Sources	1,189,855	1,073,485	1,056,275	1,017,528	923,151	927,161	940,761	640,107	638,211	640,560
Federal Sources	74,991	70,699	74,795	72,089	69,964	147,324	78,480	89,535	336,740	556,731
<b>Total Revenues</b>	<b>1,460,265</b>	<b>1,351,225</b>	<b>1,295,485</b>	<b>1,285,222</b>	<b>1,150,442</b>	<b>1,261,129</b>	<b>1,195,105</b>	<b>980,598</b>	<b>1,165,753</b>	<b>1,345,695</b>
<b>Expenditures:</b>										
Instruction	607,582	578,192	552,936	494,266	573,340	496,200	433,472	386,283	454,915	462,806
Administration	532,956	465,190	621,246	568,716	433,097	429,254	279,359	397,834	299,131	265,616
Support Services	220,813	223,124	209,143	204,169	248,012	317,276	197,697	212,762	451,753	657,993
Capital Outlay	27,955	15,518	14,683	6,801	-	-	3,000	3,000	-	6,903
<b>Total Expenditures</b>	<b>1,389,306</b>	<b>1,282,024</b>	<b>1,398,008</b>	<b>1,273,952</b>	<b>1,254,449</b>	<b>1,242,730</b>	<b>913,528</b>	<b>999,879</b>	<b>1,205,799</b>	<b>1,393,318</b>
<b>Net Change in Fund Balance</b>	<b>\$ 70,959</b>	<b>\$ 69,201</b>	<b>\$ (102,523)</b>	<b>\$ 11,270</b>	<b>\$ (104,007)</b>	<b>\$ 18,399</b>	<b>\$ 281,577</b>	<b>\$ (19,281)</b>	<b>\$ (40,046)</b>	<b>\$ (47,623)</b>

**Source: Comprehensive Annual Financial Report**

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

Fiscal Year Ending June 30,	Donations and Contributions	Miscellaneous Revenue	Annual Total
2015	\$ 23,455	\$ -	\$ 23,455
2014	52,762	146	52,908
2013	20,057	464	20,521
2012	56,841	3,681	60,522
2011	-	388	388
2010	-	31,681	31,681
2009	35,405	990	36,395
2008	2,400	32,636	35,036
2007	600	1,944	2,544
2006	-	9,284	9,284

Source: Charter School records

***OPERATING INFORMATION***

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

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	11	12	15	15	15	11	11	11	11	9
Administrative	2	2	2	1	3	2	1	1	1	1
Support Services	1	1	1	1	1	1	1	1	1	1
Food Service	1	0	0	0	0	1	1	1	1	1
<b>Total</b>	<b>15</b>	<b>15</b>	<b>18</b>	<b>17</b>	<b>19</b>	<b>15</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>12</b>

**Source:** Charter School Personnel Records

**DISCOVERY CHARTER SCHOOL**

Operating Statistics  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2015	80	\$ 1,361,351	\$ 17,017	0.77%	11	5:1	80	80	6.25%	100.00%
2014	75	1,266,506	\$ 16,887	-8.44%	12	5:1	75	72	0.00%	96.00%
2013	75	1,383,325	\$ 18,444	9.17%	15	5:1	75	72	0.00%	96.00%
2012	75	1,267,151	\$ 16,895	-0.33%	15	5:1	75	72	1.33%	96.00%
2011	74	1,254,449	\$ 16,952	2.31%	15	5:1	74	72	0.00%	97.30%
2010	75	1,242,730	\$ 16,570	36.48%	11	7:1	74	72	-1.35%	97.30%
2009	75	910,528	\$ 12,140	-8.66%	11	7:1	75	72	0.00%	96.00%
2008	75	996,879	\$ 13,292	-17.33%	11	7:1	75	72	0.00%	96.00%
2007	75	1,205,799	\$ 16,077	-13.03%	9	8:1	75	72	0.00%	96.00%
2006	75	1,386,415	\$ 18,486	23.68%	9	8:1	75	72	0.00%	96.00%

**Sources:** Charter School records

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

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

**DISCOVERY CHARTER SCHOOL**  
 School Building Information  
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Square Feet	11,243	11,243	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250
Capacity (students)	80	80	75	75	75	75	75	75	75	75
Enrollment	80	75	75	75	75	75	75	75	75	75

**Charter School Building**  
Middle School

Square Feet  
 Capacity (students)  
 Enrollment

Number of Schools at June 30, 2015  
 Middle School = 1

**Source:** Charter School Facilities Office

**Note:** Increases in square footage and capacity are the result of and additions.  
 Enrollment is based on the annual October Charter School count.

**DISCOVERY CHARTER SCHOOL**

Insurance Schedule

June 30, 2015

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
<b><u>Package</u></b> NJSBAIG P832 09/03/14-15 \$6,779	Covered Location	240 Halsey Street, Newark, NJ 07102
<b><u>Property</u></b>	\$350,000 \$200,000 \$120,000	Business Personal Property w/ \$1,000 Deductible Electronic Data Processing w/ \$1,000 Deductible Business Income w/ \$1,000 Deductible
<b><u>Crime</u></b>	\$50,000 \$50,000 \$10,000 \$10,000	Faithful Performance w/ \$500 Deductible Forgery & Alteration w/ \$500 Deductible Money & Securities w/ \$500 Deductible Money Order/Counterfeit w/ \$500 Deductible
	\$113,000 \$113,000	Board Treasurer w/ \$1,000 Deductible (N. Puzo) Board Secretary/BA w/ \$1,000 Deductible (A. Barre)
<b><u>General Liability</u></b>	\$5,000,000 \$5,000,000 \$5,000,000 \$5,000,000 \$5,000,000 \$10,000	Single Limit for Bodily Injury and Property Damage Products/Completed Operations Aggregate Annual Aggregate for Child Molestation/Sexual Abuse Each Occurrence for Personal Injury/Advertising Injury Each Claim for Employee Benefits Liability Premise Medical Payments Per Accident
<b><u>Automobile Liability</u></b>	\$5,000,000	Hired and Non-Owned Automobile Liability
<b><u>Student Accident</u></b> Berkley Life & Health Insurance Company PAI L00490427 09/03/14-15 \$609	\$1,000,000 \$25,000	Medical Benefit Amount (Full Excee) Accidental Medical Excess Benefit (Gold Plan)
<b><u>School Leaders E&amp;O</u></b> NJSBAIG E832 09/03/14-15 \$3,290	\$1,000,000 \$100,000 \$300,000	Coverage A Each Loss w/ \$5,000 Deductible Coverage B Each Loss w/ \$5,000 Deductible Coverage B Annual Aggregate
<b><u>Workers' Compensation</u></b> NJSBAIG W832 09/03/14-15 \$8,924	\$1,000,000 \$1,000,000 \$1,000,000	Each Accident Each Employee Policy Limit
(Based on \$590,000 School Professional 0.8972 MOD)		
<b><u>Supplemental Indemnity</u></b> NJSBAIG 64775774 09/03/14-15 \$500	Statutory	7-Day Waiting Period

Source: Charter School's Records

**DISCOVERY CHARTER SCHOOL**  
 Charter School Performance Framework Financial Indicators  
 Fiscal Ratios  
 Last Three Fiscal Years

	2013	2014	2015	Source
	Audit	Audit	Audit	
Cash	\$ 127,457	\$ 253,140	\$ 307,293	Audit: Exhibit A-1
Current Assets (includes CASH)	170,693	296,427	357,216	Audit: Exhibit A-1
Total Assets	170,693	296,427	360,621	Audit: Exhibit A-1
Current Liabilities	41,543	94,639	99,573	Audit: Exhibit A-1
Total Liabilities	41,543	94,639	106,266	Audit: Exhibit A-1
Net Assets	129,150	201,788	146,068	Audit: Exhibit A-1
Total Revenue	1,345,740	1,396,921	1,525,252	Audit: Exhibit A-2
Total Expenses	1,434,716	1,324,283	1,474,920	Audit: Exhibit A-2
Change in Net Assets	(88,976)	72,638	50,332	Audit: Exhibit A-2
Depreciation Expense	-	-	-	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	75.00	75.00	80.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	75	75	80	Charter School Budget

Near Term Indicators	RATIOS ANALYSIS...			Source:
	2013	2014	2015	
1a. Current Ratio	4.11	3.13	3.59	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	32.43	69.77	76.05	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	100%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit
<b>Sustainability Indicators</b>				
2a. Total Margin	-7%	5%	3%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.24	0.32	0.29	Total Liabilities/Total Assets
2c.** Cash Flow	(67,076)	125,683	54,153	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

\* is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2015 = 2015 Cash - 2014 Cash; 2014 = 2014 Cash - 2013 Cash; 2013 = 2013 Cash - 2012 Cash

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

***SINGLE AUDIT SECTION***

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

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*Union, New Jersey 07083*

*(908) 686-3484*

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**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”**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Discovery Charter School (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, and have issued our report thereon dated December 14, 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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 14, 2015

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

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**Independent Auditor’s Report on Compliance for Each Major State Program;  
Report on Internal Control over Compliance; and Report on the Schedule of  
Expenditures of State Financial Assistance Required by New Jersey OMB Circular  
04-04**

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

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

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

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB’s Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 State Program***

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

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

Management of Discovery 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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

**REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Discovery Charter School, 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. We issued our report thereon dated December 14, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by the New Jersey OMB Circular 04-04 are presented for purposed of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and related directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB A-133 and NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

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

December 14, 2015

**DISCOVERY CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2014	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2015 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education</b>														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84.010A	NCLB - 6320 - 15	\$ 52,827	7/1/14	6/30/15	\$ -	\$ -	\$ 52,827	\$ (52,827)	\$ -	\$ -	\$ -	\$ -	\$ -
Title II Part A	84.367A	NCLB - 6320 - 15	4,914	7/1/14	6/30/15	-	-	4,914	(4,914)	-	-	-	-	-
Total No Child Left Behind Cluster								57,741	(57,741)					
Individuals with Disabilities Cluster:														
I.D.E.A. Part B Basic	84.027	IDEA - 6320 - 15	17,250	7/1/14	6/30/15	-	-	17,250	(17,250)	-	-	-	-	-
Total Individuals with Disabilities Cluster								17,250	(17,250)					
Total Special Revenue Fund								74,991	(74,991)					
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Agriculture</b>														
Enterprise Fund:														
Food Distribution Program	10.550	N/A	3,206	7/1/14	6/30/15	-	-	3,206	(3,206)	-	-	-	-	-
School Breakfast Program	10.553	N/A	21,443	7/1/14	6/30/15	-	-	17,994	(20,111)	-	(2,117)	-	-	-
School Breakfast Program	10.553	N/A	15,682	7/1/13	6/30/14	(6,098)	-	6,098	-	-	-	-	-	-
National School Lunch Program	10.555	N/A	43,187	7/1/14	6/30/15	-	-	36,522	(40,462)	-	(3,940)	-	-	-
National School Lunch Program	10.555	N/A	34,266	7/1/13	6/30/14	(13,946)	-	13,946	-	-	-	-	-	-
Total Enterprise Fund						(20,044)	-	77,766	(63,779)	-	(6,057)	-	-	-
Sub-Total Federal Financial Awards						(20,044)	\$ -	\$ 152,757	\$ (138,770)	\$ -	\$ (6,057)	\$ -	\$ -	\$ -

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

**DISCOVERY CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Program of Award Amount	Balance at June 30, 2014		Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2015		MEMO	
			From	To		Deferred Revenues (Accounts Receivable)	Deferred Revenues Interfund Payable					Due to Grantor	Budgetary Receivable		Cumulative Total Expenditures
<b>State Department of Education</b>															
General Fund:															
Local Levy- State Share - Charter School Aid	15-495-034-5120-071	\$ 1,053,693	7/1/14	6/30/15	\$	-	\$	1,053,693	\$	(1,053,693)	-	-	-	\$	1,053,693
Special Education Categorical Aid	15-495-034-5120-069	25,926	7/1/14	6/30/15				25,926	(25,926)						25,926
Security Aid	15-495-034-5120-064	44,591	7/1/14	6/30/15				44,591	(44,591)						44,591
TPAF Post-Retirement Medical Contributions	15-495-034-5094-001	24,535	7/1/14	6/30/15				24,535	(24,535)						24,535
On-Behalf TPAF Pension Contributions	15-495-034-5094-006	15,455	7/1/14	6/30/15				15,455	(15,455)						15,455
Reimbursed TPAF - Social Security	15-495-034-5094-003	25,655	7/1/14	6/30/15				24,577	(25,655)	(1,078)				1,078	25,655
Reimbursed TPAF - Social Security	14-495-034-5095-002	31,513	7/1/13	6/30/14				2,343							
Total General Fund						(2,343)		1,191,120	(1,189,855)	(1,078)				1,078	1,189,855
<b>State Department of Agriculture</b>															
Enterprise Fund:															
National School Lunch Program (State Share)	15-100-010-3350-023	816	7/1/14	6/30/15		(278)		686	(761)						761
National School Lunch Program (State Share)	14-100-010-3350-023	683	7/1/13	6/30/14				278							
Total Enterprise Fund						(278)		964	(761)						130
Total State Financial Assistance						(2,621)		\$ 1,192,084	\$ (1,190,616)	\$				\$	1,208
Less:															
TPAF Post-Retirement Medical Contributions								\$	24,535						
On-Behalf TPAF Pension Contributions									15,455						
									<u>\$ (1,150,626)</u>						

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

**DISCOVERY CHARTER SCHOOL**  
Notes to Schedules of Expenditures of Awards and Financial Assistance  
June 30, 2015

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

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

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

**DISCOVERY CHARTER SCHOOL**  
Notes to Schedules of Expenditures of Awards and Financial Assistance  
June 30, 2015

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

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	1,149,865	\$ 1,149,865
Special Revenue Fund	74,991	-	74,991
Food Service Fund	63,779	761	64,540
Total Awards & Financial Assistance	<u>\$ 138,770</u>	<u>\$ 1,150,626</u>	<u>\$ 1,289,396</u>

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

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

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

Discovery Charter School has no loan balances outstanding at June 30, 2015.

**DISCOVERY CHARTER SCHOOL**  
Notes to Schedules of Expenditures of Awards and Financial Assistance  
June 30, 2015

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**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments 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 basic financial statements and the amount subject to State single audit and major program determination.

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school for the 2014-2015 school year.

Program	Total	2014
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 52,827	\$ 52,752
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	4,914	4,603
	<hr/>	<hr/>
Total	\$ 57,741	\$ 57,355

**DISCOVERY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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

**Financial Statements**

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u>  X  </u> No

**State Awards**

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	_____ Yes	<u>  X  </u> No
Identification of major state programs:		

GMIS Number(s)	Name of State Program
_____15-495-034-5120-071_____	_____Local Levy – State Share_____
_____	_____
_____	_____
_____	_____

**DISCOVERY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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***Section II –Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

**Finding**

There were no matters reported.

**DISCOVERY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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

This section identifies audit findings required to be reported by NJOMB Circular Letter 04-04.

**STATE AWARDS**

**Findings**

There were no matters reported.

**DISCOVERY CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs As Prepared by Management  
For the Fiscal Year Ended June 30, 2015

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**STATUS OF PRIOR-YEAR FINDINGS**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

**FINDINGS:**

There were no matters reported.