

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Of The**

**Mathematics, Engineering, Technology, and Science**

**Charter School**

**(M. E. T. S. Charter School)**

**June 30, 2015**

**Prepared by**

**M. E. T. S. Charter School**

## **INTRODUCTORY SECTION**

**M.E.T.S. CHARTER SCHOOL  
211 SHERMAN AVENUE  
JERSEY CITY, NEW JERSEY 07307  
(201) 526-8500, Fax (201) 527-7630**

November 23, 2015

Commissioner  
New Jersey Department of Education  
100 Executive Riverview Plaza  
CN500  
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the M. E. T. S. Charter School (the "Charter School") for the fiscal period ended June 30, 2015. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials. The financial section includes the Management's Discussion and Analysis, the basic financial statements, required supplementary information and other supplementary information, as well as the auditor's report thereon. The statistical section includes three unaudited fiscal years of data where applicable.. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*", and the New Jersey OMB Circular Letter 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

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**1) REPORTING ENTITY AND ITS SERVICES**

The M. E. T. S. Charter School (“M. E. T. S.”) is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (“GASB”) as established in codification section 2100. All funds and account groups of the Charter School are included in this report.

Charter School opened its doors to 320 students in the fall of 2011. Founded by five dedicated educators and published education authors each with Ph.D.s or Ed.D.s, M.E.T.S. is a new public charter school that provides a free alternative to the traditional school model. M.E.T.S. currently serves grades 6-11 with a school day starting at 8:00 am ending at 3:22 pm. M.E.T.S. continues to strive to offer imaginative approaches in its core subjects for students, such as those seeking engineering careers, via partnering with Liberty Science Center and NASA. It also cites as a major objective providing an “Individual Student Plan” for each child, which seeks to meet the state’s Core Curriculum Content Standards (NJCCCS). M.E.T.S. Plans to increase by a grade level yearly, pending DOE approval, reaching 12th grade by 2014-15, growing to 560 students. If these plans are successful, it would be the first Jersey City charter school to offer a high school.

The following details the changes in student enrollment of the school over the last three years:

**Average Daily Enrollment**

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percentage Change</u>
2014-2015	523	11.75%
2013-2014	468	8.84%
2012-2013	430	34.38%
2011-2012	320	100.00%

**2) ECONOMIC CONDITION AND OUTLOOK**

The Jersey City’s proximity to New York City and easy access via major highways are attractive features that made it a choice for many companies that conduct business in the metropolitan New York area. The waterfront downtown development activities in Jersey City have been economic stimulus giving rise to a significant amount of residential housing development as well as existing construction in the City.

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**Major initiatives:**

The mission of M.E.T.S. Charter School is to prepare all students to be the best they can be and highly proficient in the areas of mathematics, engineering, science and technology. To achieve our mission we will continue to increase academic rigor across all content areas, prepare our students to make it to and through college successfully and improve the way we use data to drive instruction. We continue to foster a climate and culture of high expectations and strengthen our financial and operational management.

**Goal 1: Students will acquire and demonstrate high levels of academic achievement that prepares them for success in college and other post-secondary education and training.**

***Student Achievement, Comparative Performance and Growth over Time Goals***

*(Based on the Performance Framework)*

Absolute:

1.1: 75% of students will attain proficiency on PARCC Language Arts test.

1.2: 75% of students will attain proficiency on PARCC Mathematics test.

Comparative:

1.3: Student proficiency rates on the PARCC Language Arts test will be 5% higher than the proficiency rates of the district.

1.4: Student proficiency rates on the PARCC Mathematics test will be 5% higher than the proficiency rates of the district.

Growth:

1.5: Demonstrate adequate growth of all students and subgroups, as measured by student median percentiles of at least 50 in Language Art.

1.6: Demonstrate adequate growth of all students and subgroups, measured by student median percentiles of at least 50 in Mathematics.

***Post-Secondary Readiness Goals (Based on the Performance Framework)***

1.7: 75 % of eligible students will participate in the SAT or ACT in or before 12<sup>th</sup> grade.

1.8: 40 % of participating students will achieve a performance level of 1550 on the SAT or 21 on the ACT.

1.9: 95 % of students will graduate from M.E.T.S.

1.10: 75 % of students will be enrolled in post-secondary institutions within 6 months of graduation, 85% will be enrolled within 18 months of graduation

***Mission-Specific Goals***

A. 75% of students will meet course requirements for college level English.

B. 75% of students will meet course requirements for college level Mathematics.

C. 75% of students will complete a minimum of 24 college credits by graduation annually by 2018-19, 100% by 2019-20

D. 50% of students will complete a minimum of 48 college credits by graduation annually by 2018-19, 65% by 2019-20

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- E. 25% of students will complete a minimum of 60 college credits by graduation annually by 2018-19, 35% by 2019-20
- F. 75% of students will be accepted to at least one four-year college.

**To improve student outcomes and achieve performance, college & career readiness and mission-aligned goals, we will:**

***Improve the ways we analyze and apply what is learned from internal and external learning data and evidence.***

By continuing to refine our comprehensive assessment calendar and protocols, we will ensure all of our efforts fit together cohesively and feel valuable to teachers, which in turn will have the most impact on instruction. In February 2015, we will commence the edConnectNJ partnership in assessment development and analysis to drive weekly, unit, and quarterly assessments, providing questions and data analysis, and provide standards-aligned resources and professional development.

***Heighten instructional rigor in planning and implementation of lessons.***

By continuing to prioritize professional development that is focused on high leverage instructional strategies, our teachers will not only be exposed to, but be expected to employ, best practices. These include but are not limited to serving special populations, differentiating instruction to meet the needs of all learners (particularly in small groups and 1-on-1 for students who are at-risk) and using high-level questioning and checks for understanding.

***Further Develop Early College Dual Enrollment Program, along with College Readiness and College Success Systems.***

To grow our early college program, we intend to increase the number of courses offered, accelerate the completion of pre-college coursework in half-year double block periods and increase student participation in our Summer bridge program. In terms of college readiness, we plan to utilize the data gleaned from interim internal SAT administrations to better prepare students for this test and further develop the ways we support our students on the pathway to college. Our guidance counselor, who works 1-on-1 with each graduating student on his or her college search and application and financial aid processes, will partner with a M.E.T.S. mentor – a faculty member or administrator assigned to each student during his/her senior year – to fully guarantee that every graduating student has a plan in place to continue his/her formal education. Once M.E.T.S. students get accepted to college, our alumni relations counselor (to be hired), will work in coordination with the guidance counselor and M.E.T.S. mentors to support students with their college enrollment, matriculation, retention and success, and track student academic and social progress over time.

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**Goal 2: Students will develop a strong foundation in mathematics, technology, engineering and science that will prepare them for future studies and careers and enable them to apply their knowledge and creativity to solving real world problems.**

***Mission-Specific Goals***

- A. 90% of students will earn a grade of 75 or above on Hudson County Community College’s end of year course assessments in college chemistry, biology and physics.
- B. 75% of students will attain proficiency on the NJ Biology test.
- C. By 2019, 35% of students will complete STEM internships in the summer between their 11<sup>th</sup> and 12<sup>th</sup> grade year at M.E.T.S.

New Jersey is currently revising NJ Core Curriculum Content Standard 9 - its 21<sup>st</sup> Century Life and Careers, which cover 12 career ready practices, considered to be “a framework for the development experiences necessary to become career ready.” M.E.T.S. intends to integrate these practices throughout its curriculum, across content areas. NJDOE notes that a variety of growth measures may be utilized, and is currently developing an assessment similar to the PARCC assessments. M.E.T.S. will adopt or identify appropriate measures as NJDOE releases guidance and tools.

In the middle school grades, we will continue our work integrating themes and relevant real-world experiences (such as 6<sup>th</sup> grade watershed trips, and exposure to engineering design and architecture). We are eager to expand our offerings in computer science - programming and coding – and to add robotics (LEGO League) and engineering design courses at these grade levels as well. At the high school level, 9<sup>th</sup> grade students will be able to take engineering design (with CAD), coding/programming, or basic robotics construction classes, with 10<sup>th</sup> graders moving into more advanced coursework in these areas. We anticipate offering expanded options for college coursework through blended learning, online opportunities for students prepared and interested in low enrollment classes (such as organic chemistry, biological chemistry, molecular biology, statistics, British literature III, American literature III, and sociology) and as well as advanced electives (e.g. Spanish III-IV-V, economics)

**Goal 3: The school will nurture a culture and climate of safety, respect, integrity, compassion, service, and achievement supporting the development of self-confidence and social skills.**

***Mission-Specific Goals***

- A. 90% of stakeholders (students, families and staff members) will indicate satisfaction with the school culture and climate, as reflected on surveys.

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- B. 100% of community partners and institutions will provide positive feedback about the school's and the students' role in the wider community, as reflected on surveys.
- C. The school will achieve a 95% attendance rate. If this goal is not achieved, the school will aim to reduce or eliminate the gap between what is achieved and the 95% goal in the next year.
- D. 95% of students who enroll in the school before September 30<sup>th</sup> of each year will remain enrolled until the final day of the school year. If this goal is not achieved, the school will aim to reduce or eliminate the gap between what is achieved and the 95% goal in the next year.
- E. 90% of students will remain enrolled from year to year. If this goal is not achieved, the school will aim to reduce or eliminate the gap between what is achieved and the 90% goal in the next year.
- F. Reduce discipline referrals, infractions and suspensions by 10% annually

As described earlier in the application, M.E.T.S. is intensifying its work with the International Institute of Restorative Practices to continue to shift the school environment to one that supports rigorous learning, reduces or eliminates off-task and distracting behaviors, and serves to develop the leadership and social skills of its students. We envision a community in which students are supporting each other academically and socially, embracing opportunities to participate in activities such as the National Honor Society, student council and LINK Crew, and engaging in rich community service projects. Over the next year, M.E.T.S. leaders and teachers will identify and/or develop evidence-based assessment tools, as well as a framing protocol, to track and measure growth in students' leadership skills and qualities, as well as progress in their social-emotional development.

**Goal 4: The School will strengthen its financial and operational capacity.**

***Financial Management and Oversight (Based on Performance Framework)***

- 4.1: The school will comply with all applicable laws rules, regulations and provisions of the charter agreement related to financial reporting, management and oversight requirements.
- 4.2: The school will receive an unqualified independent audit devoid of significant findings, material weaknesses or significant internal control weaknesses.



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**Parent Satisfaction**

The 2014-15 Climate and Culture survey was conducted with Parents, Students and Teachers. The results of the parent’s responses are listed below.

	Parents		
	Jan	May	Sept
	2013-14	2013-14	2014-15
Physical Environment	12%	60%	71%
Emotional Environment	20%	79%	82%
Teaching & Learning	11%	57%	73%
Relationships	17%	46%	83%
Community Engagement	65%	77%	81%
Morale in School	14%	64%	79%

**3) INTERNAL CONTROLS**

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

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to comply with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School’s Board of Trustees

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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.

**4) 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 Special Revenue Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

**5) ACCOUNTING SYSTEM AND REPORT**

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

We are currently using CDK fund accounting application for the school's fiscal operations to deliver and establish a complete program including encumbrances, general ledger, accounts payable, accounts receivable, budgetary accounts and Board Secretary's monthly report. This system is a core component of our internal control system and has helped with the accountability of our financial structure.

**6) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, and special revenue funds for the fiscal years ended June 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>	<u>% change</u>
<u>Revenue</u>				
Local Sources	\$ 193,551	\$ 1,493,717	\$ (1,300,166)	-87.04%
State Sources	6,558,659	4,321,478	2,237,181	51.77%
Federal Sources	394,670	270,655	124,015	100.00%
Total	<u>\$ 7,146,880</u>	<u>\$ 6,085,850</u>	<u>\$ 1,061,030</u>	

The amount of monies received from local sources is determined by the per pupil cost of the Jersey City Public School District. We received 90% of this cost in accordance with current statute. M. E. T. S. received monies from federal and state sources attributable to grants and aids for instruction and administrative expenses for fiscal year ended June 30, 2015. The federal funds consisted of “No Child Left Behind” (NCLB), including Title I, II, IV, V, as well as IDEA Part B for students identified with special needs.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Expenditures</u>				
Instruction	\$ 3,085,648	\$ 2,675,446	\$ 410,202	15%
Undistributed	-	-	-	-
Expenditures	3,004,835	2,524,476	480,359	19%
Capital Outlay	261,545	87,797	173,748	100%
Total	<u>\$ 6,352,028</u>	<u>\$ 5,287,719</u>	<u>\$ 1,064,309</u>	

The changes in cost in 2015 over 2014 were primarily due to the addition of a new grade and all the requisite costs associated with it to accommodate the increased enrollment. For the year ending June 30, 2015, the significant portion of our expenditures were based upon our increased faculty and other operating cost.

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**7) CASH MANAGEMENT**

The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. The Charter School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey.

The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act. Our funds are presently deposited in PNC Bank N.J, in compliance with the state and federal regulations.

**8) RISK MANAGEMENT**

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

**9) OTHER INFORMATION**

**Independent Audit**

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ilori CPA LLC was appointed by the Charter School’s 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 Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.


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

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Commissioner**

**10) ACKNOWLEDGEMENTS**


We would like to express our appreciation to the members of the M. E. T. S. Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and Jersey City Board of Education and thereby contributing their full support to the development and maintenance of our financial operations.

Respectfully submitted,



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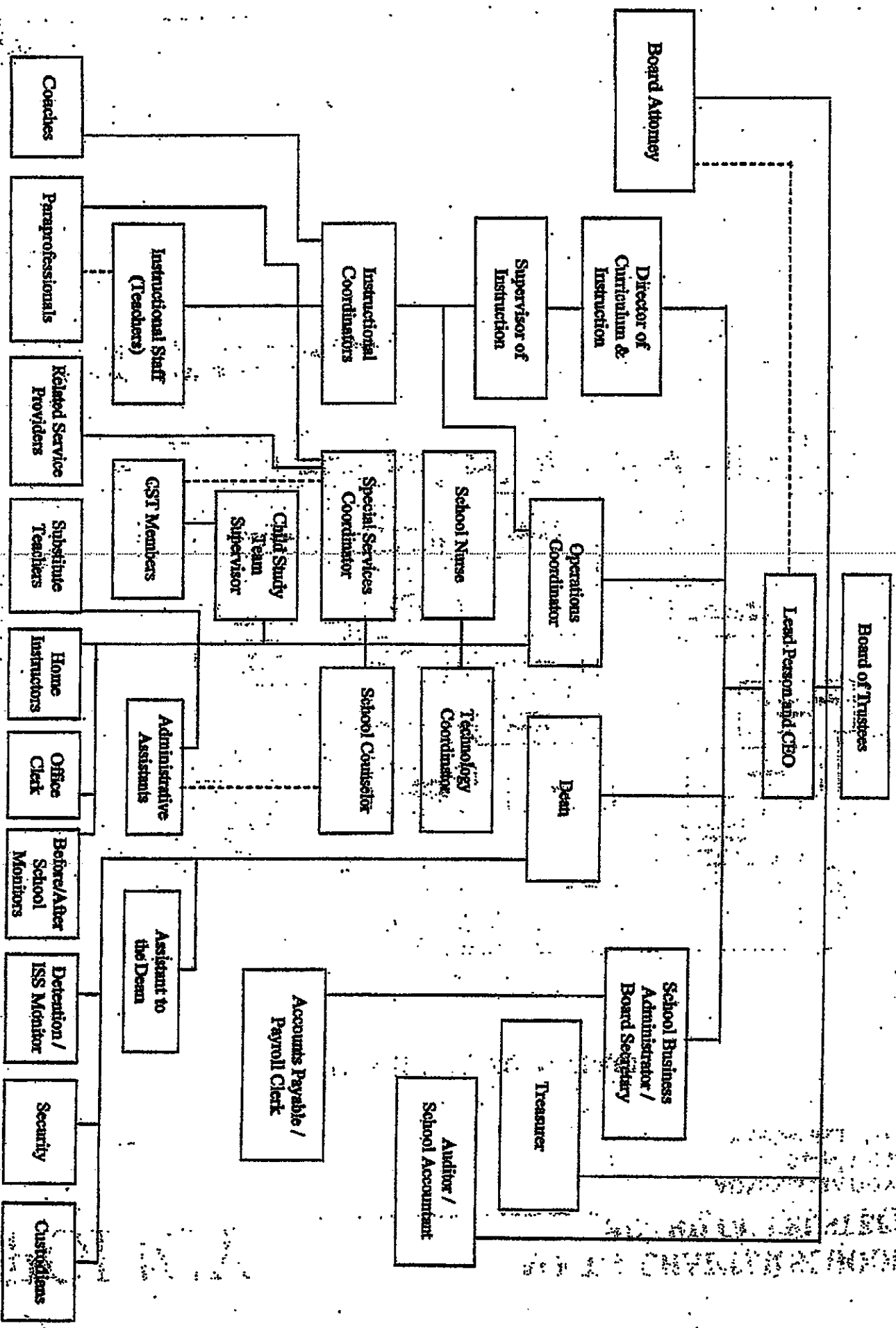
Ian Fallstich  
Lead Administrator  
M.E.T.S. Charter School



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Robert Clark., S.B.A.  
School Business Administrator/Board Secretary  
**From July 2015**

1110 ORGANIZATIONAL CHART



**M. E. T. S. CHARTER SCHOOL**

**ROSTER OF OFFICIALS  
JUNE 30, 2015**

**Members of Board of Trustees**

Elanor (Cruz) Ayala	President
Richard Borkowski	Member
Nicola Jankola	Member
Victoria Pimentel	Member
Diemecha Harris	Member
Jeffrey Spangler	Member

**Other Officials**

Ian Fallstich, Lead Administrator

Robert Clark, SBA/ Board Secretary  
From July 2015

Dr. Dennis R. Frohnapfel, SBA/Board Secretary  
February 2014 to June 30, 2015

M. E. T. S. Charter School  
Hudson County

**CONSULTANTS and ADVISORS**

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Eatontown, NJ 07724-2265

**Audit Firm**

Ilori CPA LLC  
24 Commerce Street Suite 1427  
Newark, NJ 07102

**Official Depository**

PNC Bank  
Newark, NJ 07631



## **FINANCIAL SECTION**



ILORI CPA LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS  
*Member of AICPA, NJCPA & MACPA*

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

## INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Trustees  
M. E. T. S. Charter School  
Hudson County, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of M. E. T. S. Charter School, Inc., (the "Charter School") in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2015, which collectively comprise the charter school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

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

## **Emphasis of a Matter**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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

The combining and individual fund financial statement information, and the schedules of expenditures of federal awards and state financial assistance as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented, in all material respects, in relation to the basis financial statements as a whole.

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

#### **Ilori CPA LLC**

*KunleIlori*

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

*ILORI CPA LLC*

Newark New Jersey  
November 23, 2015

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**MANGEMENT DISCUSSION AND ANALYSIS**

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

# M. E. T. S. CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

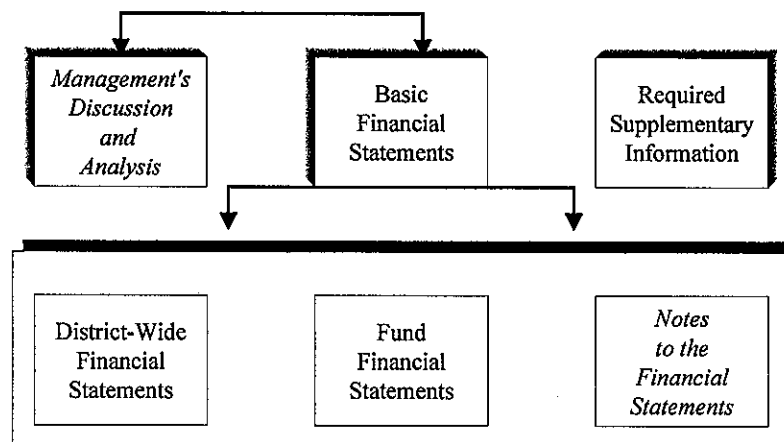
The discussion and analysis of M. E. T. S. Charter School's financial performance provide an overview of the School's financial activities for the fiscal year ended June 30, 2014. The objective of this overview and analysis is to examine the District's financial performance as a whole and to disclose important financial commentary that will provide overall understanding of the District's financial position. However, readers of this document are encouraged to review the CAFR's Letter of Transmittal in the Introductory Section, and the Basic Financial Statements and Notes to Financial Statements in the Financial Section to enhance their understanding of the Board's financial performance.

The Management's Discussion and Analysis (MD&A) as a required Supplementary Information Specified in the Governmental Accounting Standard Board's (GASB) statement No 34, *Basic Financial statements and Management's Discussion and Analysis for state and local Governments* issued in June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, an amendment to GASB Statement No 21 and No 34, issued in June 2001, and; in GASB Statement No 38, *Certain Financial Statement Note Disclosures*, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD & A.

### Overview of the Financial Statements

This annual report consists of six parts-*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, *other supplementary information*, *the statistical section*, and *the single audit section*.

Table A-1. Required Components of the School's Annual Financial Report



## M. E. T. S. CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are charter school *financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the district-wide statements.
  - *Governmental funds* statements tell how *basic* services such as regular and special education were financed in the *short term* as well as what remains for future spending.
  - *Proprietary funds* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain certain information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Table A-1 shows how the required parts of this annual report are arranged and related to one another.

**M. E. T. S. CHARTER SCHOOL**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

	School-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: Food Service Fund and Extended Day Program	Instances in which the School administers resources on behalf of someone else, such as state unemployment insurance, payroll and payroll agency and student activities
Required financial statements	*Statements of Net Position *Statements of Activities	*Balance Sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of Net Position *Statement of revenues, expenditures and changes in fund Net Position *Statement of cash flows	*Statement of Fiduciary Net Position *Statement of changes in fiduciary Net Position
Accounting Basis and Measurement Focus	Actual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and dedications during the year; regardless of when cash is received or paid

Table A-2 summarizes the major features of the School's financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. The basic financial statements include two kinds of statements that present different views of the School:

- Charter School-wide Statements
- Fund Financial Statements



## M. E. T. S. CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

#### Charter School-wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *Net Position* and how they have changed. Net Position the difference between the School's assets and liabilities is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School, you need to consider additional non-financial factors such as changes in the School's property tax base and the condition of school buildings and other facilities.

The School-wide financial statements of the School are divided into two categories:

- *Governmental activities* - Most of the School's basic services are included here, such as regular and special education, instruction, extracurricular activities, curriculum and staff development, health services, operations and maintenance of plant and administration. Property taxes and state grants finance most of these activities.
- On the Charter School-Wide financial statements, assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the Charter School at the close of its most recent fiscal year by \$329,420. The Charter School's total net position for the prior year ended June 30, 2014 decreased by \$525,717 as a result of the Cumulative Effect of Change in Accounting Principles that caused a restatement of the prior year Net Position (Beginning of the Fiscal Year). This is required by Governmental Accounting Standard Board Statement No. 68 ("GASB Statement No. 68") and GASB Statement No. 71 which is discussed in detail in the attached financial statements and more particularly in Note 7.
- *Business-type activities* - The School charges fees to customers to help it cover the costs of certain services it provides. The School's Food Service Fund and Extended Day Program Fund are included here. However, M.E.T.S did not offer food and after care programs for the fiscal year ended June 30, 2015.

## M. E. T. S. CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

#### Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant *funds*-not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular programs. The School considers all governmental and proprietary funds to be major funds in accordance with requirements of the Division of Finance, Department of Education, of the State of New Jersey.

The School has three kinds of funds:

- *Governmental funds* - Most of the School's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the School-wide statements, provide both long- and short-term financial information. In fact, the School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The School's Enterprise Fund includes the Food Service Program and the Extended Day Program.
- *Fiduciary funds* - The School is the trustee, or *fiduciary*, for assets that belong to others such as the state unemployment insurance, payroll, and student activity funds. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position. We exclude these activities from the School's School-wide financial statements because the School cannot use these assets to finance its operations.

## **M. E. T. S. CHARTER SCHOOL**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the School-wide and fund financial statements and can be found starting on page 35 of this report. In addition to the basic financial statements and accompanying notes, this report also includes required supplementary information.

#### **FINANCIAL ANALYSIS OF THE CHARTER SCHOOL AS A WHOLE**

The perspective of the Statement of Net Position is of the Charter School as a whole. Net Position may serve over time as 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.

#### **Government Activities**

The Charter School's total revenues amounted to \$7,723,295 and \$6,386,972 for the years ended June 30, 2015 and 2014 which included non-budgeted state reimbursement of TPAF Social Security Contributions and on- behalf pension contributions of \$356,245 and \$301, respectively.

The total cost of all programs and services amounted to \$7,330,613 and \$5,973,706 for the years ended June 30, 2015 and 2014.

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 interactions 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 school equipment purchased over the \$2,000 threshold.

**M. E. T. S. CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

**The Charter School as a Whole**

The perspective of the Statement of Net Positions is of the Charter School as a whole. Net Position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$0 at the close of 2015. The following table provides a summary of Net Position relating to the Charter School's governmental and business type activities:

	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current Assets	\$ 1,597,569	\$ 1,223,860	\$ -	\$ -	\$ -	\$ 1,223,860
Noncurrent assets	329,420	-	-	-	329,420	-
<b>Total Assets</b>	<u>1,926,989</u>	<u>1,223,860</u>	<u>-</u>	<u>-</u>	<u>329,420</u>	<u>1,223,860</u>
<b>Liabilities</b>						
Current Liabilities	552,250	571,223	-	-	552,250	571,223
Long Term Liabilities	557,047	-	-	-	557,047	-
<b>Total Liabilities</b>	<u>1,109,297</u>	<u>571,223</u>	<u>-</u>	<u>-</u>	<u>1,109,297</u>	<u>571,223</u>
<b>Net Position</b>						
Invested in						
Capital Assets			-			
(ret of related debt)	-	-	-		-	-
Unrestricted	817,692	652,637	-		817,692	652,637
<b>Total Net Position</b>	<u>\$ 817,692</u>	<u>\$ 652,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 817,692</u>	<u>\$ 652,637</u>

**M. E. T. S. CHARTER SCHOOL**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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The largest portion of the Charter School’s Net Position is its current assets. The Charter School uses these current assets to provide services.

The total Net Position of the Charter School increased by \$0 during the current fiscal year ended June 30, 2015. The majority of the increase is attributable to increase in surplus due to lower expenditures in the General Fund.

**Governmental Activities**

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

**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. The fund balance for the years 2015 and 2014 in the amount of \$0 and \$652,637 respectively is very significant as it presents the school residual interest after all financial obligations have been met. 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 years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>	<u>% change</u>
<u>Revenue</u>				
Local Sources	\$ 193,551	\$ 1,493,717	\$ (1,300,166)	-87.04%
State Sources	6,558,659	4,321,478	2,237,181	51.77%
Federal Sources	394,670	270,655	124,015	100.00%
Total	<u>\$ 7,146,880</u>	<u>\$ 6,085,850</u>	<u>\$ 1,061,030</u>	

# M. E. T. S. CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services.

It identifies the cost of these services supported by unrestricted state entitlements for the fiscal years ended June 30, 2015 and 2014.

	<u>Total Cost of Services</u>	<u>Grants/ Contributions</u>	<u>2015 Net Cost of Services</u>	<u>2014 Net Cost of Services</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Instruction	\$ 3,487,818	\$ 402,170	\$ 3,085,648	\$ 2,253,821	\$ 831,827	37%
Support Services:	-	-	-	-	-	-
Administrative expenses	1,478,885	-	1,478,885	1,767,674	(288,789)	-16%
Other support services	1,525,950	-	1,525,950	1,593,819	(67,869)	-4%
Capital outlay	261,545	-	261,545	87,797	(87,797)	
Total Expenses	<u>\$ 6,754,198</u>	<u>\$ 402,170</u>	<u>\$ 6,352,028</u>	<u>\$ 5,703,111</u>	<u>\$ 387,372</u>	

Changes in expenditures were the results of varying factors. Current expense increased due to addition of a new grade and all the requisite costs associated with it and increased health benefit 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 realign the budget to actual expenditures in accordance with state law.

## **M. E. T. S. CHARTER SCHOOL**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

#### **Business-Type Activity**

The charter School does not maintain an enterprise fund as it has no food program or extended care.

#### **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 of all the funds is the general fund as it provides resources for all other funds on a need basis.

The Charter School uses state-aid and other revenue sources. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams to modify if there is need to. During the course of fiscal 2014-2015 the Charter School amended its general fund budget as needed.

For general fund, the final budgeted revenues and "other financing sources" were \$0 and \$3,422,575 which included a local share of \$0 and \$ 438,160 for the years ended June 30, 2015 and 2014. Expenditures and "other financing uses" were budgeted at \$6,900,210 and \$5,725,562 for the years ended June 30, 2015 and 2014. The State of New Jersey provided state aid in the amount of \$6,558,659 and \$2,987,810 for the fiscal years ended June 30, 2015 and 2014 respectively. In addition, in 2015 and 2014 the state provided \$220,170 and \$105,231 for the employer's share of social security contributions for Teachers Pension Annuity Fund (TPAF) members. This unbudgeted amount is included in both revenues and expenditures of the CAFR.

#### **Capital Assets**

At the end of fiscal year 2015, the Charter School has no capital assets in the governmental fund. No depreciation was taken in the current year as the application was not put in service in the current year.

The table below shows capital assets net of depreciation for all applicable funds.

**M. E. T. S. CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

**Capital Assets (net of depreciation)**

	<u>Governmental Activities</u>		<u>Total Charter school</u>		<u>Total Percentage change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Building and improvement	\$ -	\$ -	\$ -	\$ -	0
Equipment/Computer	0	0	0	0	100%
Furniture	0	0	0	0	0
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**Long-term debt and capitalized lease obligations**

At June 30, 2015 and 2014, the Charter School had no long-term debt or mortgages on the school buildings as they are currently under short term lease agreements.

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

The State of New Jersey continues to face serious budgetary constraints. This has impacted the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2014- 2015. Every effort was directed to providing quality education to the community. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs needed to meet New Jersey's Core Curriculum Content Standards.



**M.E. T. S. CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it received during the course of the fiscal year. If you have questions about this report or require additional financial information, contact the business office.

Robert Clark  
**School Business Administrator/ Board Secretary**  
**of record From July 1, 2015**

**M. E. T. S. Charter School**  
**Jersey City, New Jersey 07083**

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the Charter School's operation. These financial statements present the financial position and operating results of all funds and account groups as of June 30, 2015.

## **CHARTER SCHOOL–WIDE FINANCIAL STATEMENTS**

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

**M. E. T. S. CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 865,983		\$ 865,983
Receivables- state	32,537		32,537
Receivables-federal	323,900		323,900
Interfund receivable	375,149		375,149
Capital assets, net of depreciation	-	-	-
Total Assets	<u>1,597,569</u>	<u>-</u>	<u>1,597,569</u>
<b>Deferred outflows of resources</b>			
Pension deferred outflows	<u>329,420</u>		<u>329,420</u>
Total assets and deferred outflows of resources	<u>\$ 1,926,989</u>	<u>\$ -</u>	<u>\$ 1,926,989</u>
<b>LIABILITIES</b>			
Accounts payable	50,773		50,773
Interfund payable	300,749		300,749
Intergovernment payable	200,728		200,728
Net Pension Liability	<u>525,717</u>	-	<u>525,717</u>
	<u>1,077,967</u>	<u>-</u>	<u>1,077,967</u>
<b>Deferred inflows of resources</b>			
Pension deferred inflows	<u>31,330</u>	<u>-</u>	<u>31,330</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	-	-	-
	-	-	-
Unrestricted	<u>817,692</u>	<u>-</u>	<u>817,692</u>
<b>Total net position</b>	<u>\$ 817,692</u>	<u>\$ -</u>	<u>\$ 817,692</u>

M. E. T. S. CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues				0 Net (Expense) Revenue and Changes in Net Assets		
		Invested in Capital Assets, Net of Related Debt	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>								
Instruction	\$ 3,487,818		\$ -	\$ 402,170	\$ -	(3,085,648)	\$ -	\$ (3,085,648)
Support services:								
Student & instruction related services	1,525,950		-	-	-	(1,478,885)	-	(1,478,885)
School administrative services	1,478,885		-	0	-	(1,525,950)	-	(1,525,950)
Capital outlay	261,545		-	-	-	(261,545)	-	(261,545)
<b>Total governmental activities</b>	<b>6,754,198</b>		<b>-</b>	<b>402,170</b>	<b>-</b>	<b>(6,352,028)</b>	<b>-</b>	<b>(6,352,028)</b>
<b>Business-type activities:</b>								
Food and After care service	-		-	-	-	-	-	-
<b>Total business-type activities</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 6,754,198</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 402,170</b>	<b>\$ -</b>	<b>\$ (6,352,028)</b>	<b>\$ -</b>	<b>\$ (6,352,028)</b>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes, net						\$ 82,079	\$ -	\$ 82,079
Taxes levied for debt service							-	-
Federal and State aid not restricted						6,558,659	-	6,558,659
Miscellaneous Income						103,972	-	103,972
<b>Total general revenues, special items, extraordinary items and transfers</b>						<b>6,744,710</b>	<b>-</b>	<b>6,744,710</b>
<b>Change in Net Assets</b>						<b>392,682</b>	<b>-</b>	<b>392,682</b>
Net Position—beginning						652,637	-	652,637
Adjustment for pension treatment						(227,627)	-	(227,627)
Adjusted -beginning net assets -Restated						425,010	-	425,010
Net Position—ending						\$ 817,692	\$ -	\$ 817,692

**FUND FINANCIAL STATEMENTS**

**M. E. T. S. CHARTER SCHOOL  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

Exhibit B-1

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 865,983	\$ -	\$ 865,983
Receivables- state	32,537	-	32,537
Receivables - Federal	-	323,900	323,900
Interfund Receivable	375,149	-	375,149
Other receivable	-	-	-
Other - Security deposit	-	-	-
<b>Total assets</b>	<b>1,273,669</b>	<b>323,900</b>	<b>1,597,569</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	27,622	23,151	50,773
Interfund payable	-	300,749	300,749
Judgement payable	-	-	-
Intergovernment Payable	200,728	-	200,728
Other Payable	-	-	-
Deferred Inflows of Revenue	-	-	-
<b>Total liabilities</b>	<b>228,350</b>	<b>323,900</b>	<b>552,250</b>
 Fund Balances:			
Reserved for:			
<b>Unreserved, reported in:</b>			
General fund	1,045,319	-	1,045,319
Special revenue fund	-	-	-
Capital projects fund	-	-	-
Permanent fund	-	-	-
<b>Total Fund balances</b>	<b>1,045,319</b>	<b>-</b>	<b>1,045,319</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,273,669</b>	<b>\$ 323,900</b>	<b>-</b>

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

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

Total Acquisition Cost

Less Accumulated Depreciation

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

Net position of governmental activities - A-1

**\$ 817,692**

See accompanying notes to the basic financial statements

**M. E. T. S. CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Exhibit B-2

For the Year Ended June 30, 2015

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>			
Local sources:			
"Local levy" local share	\$ 82,079	\$ 7,500	\$ 89,579
Contributions	103,972	-	103,972
Total - Local Sources	186,051	7,500	193,551
State sources	6,558,659	-	6,558,659
Other sources	576,415	-	576,415
Federal sources	-	394,670	394,670
Total revenues	7,321,125	402,170	7,723,295
<b>EXPENDITURES</b>			
Current:			
Instruction	3,085,648	402,170	3,487,818
Undistributed Expenditures:			
Administrative cost	1,478,885	-	1,478,885
Support services	1,525,950	-	1,525,950
TPAF reimbursed	576,415	-	576,415
Capital outlay	261,545	-	261,545
Total expenditures	6,928,443	402,170	7,330,613
Excess (Deficiency) of revenues over expenditures	392,682	-	392,682
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	-	-	-
Net change in fund balances	392,682	-	392,682
Fund balance—July 1	652,637	-	652,637
Fund balance—June 30	\$ 1,045,319	\$ -	\$ 1,045,319



**M. E. T. S. CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Total net change in fund balances - governmental funds (from B-2)</b>	<b>\$ 392,682</b>
Amounts reported for governmental activities (A-2) are different :	-
	-
	-
	-
	-
<b>Change in net assets of governmental activities A-2</b>	<b><u>\$ 392,682</u></b>

**FIDUCIARY FUND FINANCIAL STATEMENTS**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 97,649
Interfund receivable	945	89
Other current assets		-
Total assets	<u>\$ 945</u>	<u>\$ 97,738</u>
<b>LIABILITIES</b>		
Interfund Payable	\$ -	\$ 74,468
Payroll deductions and withholdings	945	23,150
Payroll payable		-
Due to student group		120
Due to agency account	-	-
Total liabilities	<u>\$ 945</u>	<u>\$ 97,738</u>
<b>NET POSITION</b>		
Reserved for unemployment claims and other purposes	<u>\$ -</u>	

**M. E. T. S. CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Unemployment Compensation Trust</b>
<b>ADDITIONS</b>	
Contributions	\$ -
Employees	2,628
Other	
Investment Earnings- net	-
Total Contributions	2,628
<b>DEDUCTIONS</b>	
Payment of claims	2,628
Payroll deductions	
Administrative expenses	
Total deductions	2,628
Change in net position	-
Net position-beginning of the year	-
	-
Adjusted beginning net position	-
Net position-end of the year	\$ -

See accompanying notes to the basic financial statements

**NOTES TO FINANCIAL STATEMENTS**

# M. E. T. S. CHARTER SCHOOL

## HUDSON COUNTY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity:

The M. E. T. S. Charter School (M. E. T. S. ) is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. M. E. T. S. received its approved charter in July 2010 and has since experienced steady growth in its enrollment and financial structure. The school facility provides outstanding educational space with a host of features to promote student success. The school is chartered for four years subject to charter renewal every five academic years.

Charter School opened its doors to 320 students in the fall of 2011. Founded by five dedicated educators and published education authors each with Ph.D.s or Ed.D.s, M.E.T.S. is a new public charter school that provides a free alternative to the traditional school model. M.E.T.S. currently serves grades 6-11 with a school day starting at 8:00 am ending at 3:22 pm. M.E.T.S. continues to strive to offer imaginative approaches in its core subjects for students, such as those seeking engineering careers, via partnering with Liberty Science Center and NASA. It also cites as a major objective providing an "Individual Student Plan" for each child, which seeks to meet the state's Core Curriculum Content Standards (NJCCCS). M.E.T.S. Plans to increase by a grade level yearly, pending DOE approval, reaching 12th grade by 2014-15, growing to 560 students. If these plans are successful, it would be the first Jersey City charter school to offer a high school. The Charter School is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. In addition, it must comply with the New Jersey Charter school program Act of 1995 and regulations promulgated thereafter.

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. The mission of M.E.T.S. Charter School is to prepare all students to be the best they can be and highly proficient in the areas of mathematics, engineering, science and technology. To achieve our mission we will continue to increase academic rigor across all content areas, prepare our students to make it to and through college successfully and improve the way we use data to drive instruction. The Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards is the degree of oversight responsibility maintained by the Charter School management.

**B Basis of Presentation**

Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. The financial statements of The Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed for governmental units. The Governmental Accounting Standards Board (GASB) is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles.

In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. In 2004, all charter schools adopted the GASB and the changes. Certain significant changes in the financial statements include the following:

- A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations
- Charter School-wide financial statements prepared using full-accrual accounting for all of the District's activities and the economic resources measurement focus.
- Depreciation expense on the District's capital assets if any is reflected in the Charter school-wide statement of activities. At June 30, 2015, no depreciation expense was recorded.
- Fund financial statements to focus on the major funds.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**C. Basic Financial Statements:**

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

**School-wide Financial Statements**

The statement of Net Position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds. The statement of Net Position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year end.

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

**D. Fund Financial Statements**

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

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



**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**E Governmental Funds**

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings.

Improvement of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

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

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Debt Service Fund** -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2015 there was no debt service fund.

**F Proprietary Funds**

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

**G Enterprise Fund(Food Service and Before and After school Programs)**

The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Charter School is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods and services to the students on a continuing basis be financed or recovered primarily through user charges; or where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes. M.E.T.S Charter School currently does not offer these programs.

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

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Internal Service (Self-Insurance) Fund:**

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

**Fiduciary Funds**

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

**Expendable Trust Funds** - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. At June 30, 2015, the school has no expendable trust fund.

**Nonexpendable Trust Funds** - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal. At June 30, 2015, the school has no nonexpendable Trust Fund.

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

**H Measurement Focus and Basis of Accounting**

**Measurement Focus** –The measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of Net Position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

**Basis of accounting**

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

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

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I Budgets/Budgetary Control**

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year end.

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

<u>Budget/Budgetary Control:</u>	
	<b>2015</b>
Total revenues and expenditures (budgetary basis)	\$ 402,170
Adjustments:	
Plus: Encumbrances at June 30, 2013	-
Less: Encumbrances at June 30, 2014	<u>-</u>
Total revenue and expenditures (GAAP basis)	<u>\$ 402,170</u>

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Cash, Cash Equivalent and Investments**

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

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

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

**K. Tuition Payable**

The Charter School did not send any of its students to any other Charter Schools during the fiscal year ended June 30, 2015.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**L. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first- in-first-out (FIFO) Method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

**M. Interfund Assets/Liabilities**

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

**N. Capital Assets:**

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

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

The charter school's capitalization policy is consistent with New Jersey State Department of Education. Thus, all acquisition costs over the threshold were added to capital assets and depreciated over their economic useful lives. In the fund financial statements, capital assets are accounted for as capital outlay expenditures in the governmental fund upon acquisition

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**N. Capital Assets - continued**

Donated capital assets are capitalized at estimated fair market value on the date of donation. Depreciation of all capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated lives</u>
School Building if owned	50years
Building and Buildings Improvements	15 years
Furniture and Equipment	5 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

**O. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. The school policy is to pay as you go, thereby preventing accumulation of accrued sick leave or vacation beyond the current fiscal year. Compensated absences that are related to future services, or that are contingent on specific events that are outside the control of the Charter School and its employees, are accounted for in the period in which such service is rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. As of June 30, 2015, there were no accrued compensated absences at the Charter school.

**P. Accrued Liabilities and Long-Term Obligations**

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



**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Q Accrued Liabilities and Long-Term Obligations**

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

**Fund Balance**

In the fund financial statements, governmental fund report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for specific future use. Designated fund balance represents plans for future use of financial resources.

**Net Position**

The Charter School adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

The School also adopted GASB No. 65, *Items previously reported as Assets and Liabilities*, during the current fiscal year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Charter School that is applicable to a future reporting period. The Charter School had no deferred inflows of resources at June 30, 2015. Net position is displayed in three components net investment in capital assets; restricted and unrestricted.

**The net investment in capital assets component of net position**

It consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

**The restricted component of net position**

It consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Fund Balance Restrictions, Commitments and Assignments:**

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by law, external resource providers or through enabling legislation. The committed fund balance classification includes amounts that can be used only for specific purposes determined for a formal action of the Charter School highest level of decision making authority. Amounts in the assigned fund balance classification are intended, to be used by the: government for specific purposes and if they do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the School's General Fund and it includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Inter-fund Transactions**

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

**Use of Estimates**

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

**On-Behalf Payments**

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

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Deposits and Investments**

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected funds on deposit.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Deposits and Investments**

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

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. Cash and cash equivalents include petty cash, change funds and amounts on deposit with local banks, money market accounts and short term investment with maturities of three months or less. New Jersey statutes require that Charter School deposit public funds in public depositories located in New Jersey which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. As of June 30, 2015, cash and cash equivalents consisted of the following:

General Fund	Fiduciary Funds	2015 Total
\$ 865,983	\$ 97,649	\$ 963,632
-	-	-
<u>\$ 865,983</u>	<u>\$ 97,649</u>	<u>\$ 963,632</u>

**Custodial credit risk**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the School disclose bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June 30, 2015 the School’s bank balances amounted to \$963,632 and were not exposed to custodial credit risk since all deposits were insured by FDIC and GUPDA.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Custodial credit risk**

In accordance with GASB statement No.40, the school is required to disclose the level of custodial credit risk assumed in its cash and cash equivalents and investments in different categories.

**Category 1-** Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name. The balance of 963,632 is a category 1 as disclosed in the financial statements.

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

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

**NOTE3. CAPITAL ASSETS**

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures in the governmental fund upon acquisition. At June 30, 2015, the Charter School has no capital assets.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 4. OPERATING LEASES**

On December 13, 2013, the Charter School entered into a new non-cancelable annual operating lease with St Paul of the Cross Church to commence on January 1, 2014 to June 30, 2015 (18 months) with a option to renew in July 1, 2015 for five years at 3% annual increase. The Charter school covenants and agrees to pay \$49,354 for the 18 months. The total rent for the 18months will amount to \$862,500. Below is the schedule of future minimum lease payments

<u>Period</u>	<u>Annual rent</u>	<u>Monthly Rent</u>
2015-2016	592,250	49,315
2016-2017	610,018	50,834
2017-2018	628,318	52,359
2018-2019	647,168	53,931
2019-2020	666,583	55,548

The total rent paid at June 30, 2015 was \$ 582,500. It must be noted that prior to the aforementioned lease agreement, the Charter school had signed a sublease agreement with an organization known as Friends of M.E.T.S Charter School Management Company P.C. which was later terminated by the School upon recommendation from New Jersey State Department of Education pursuant to an investigation conducted by the agency.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 5 FEDERAL AND STATE AIDS**

Federal and State aids are generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aids. In the opinion of the Charter School's management, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2015, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2014.

**NOTE 6 PENSIONS PLANS**

**Pension Plans**

**Description of Plans**

Substantially all of the employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 0862

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

The Teachers' Pension and Annuity Fund was established as of January 1,1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

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#### **NOTES TO FINANCIAL STATEMENTS**

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

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

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

#### **Vesting and Benefit Provisions**

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

#### **Vesting and Benefit Provisions**

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



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### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

#### **Significant Legislation**

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

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

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

#### **Funding Status and Funding Progress**

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

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

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

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

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

**Annual Pension Costs (APC)**

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

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

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

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

**NOTE 7 Pension Plans – GASB 68 Disclosures**

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

*Summary of Significant Accounting Policies*

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

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

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$6,620,502 as measured on June 30, 2014 and \$-0- as measured on June 30, 2013. For the year ended June 30, 2015, the Charter School recognized pension expense of \$356,245 and revenue of \$356,245 for support provided by the State.

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**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$ 2,306,623,861	\$ -
Collective deferred inflows of resources	\$ 1,763,205,593	\$ -
Collective net pension liability (non-employer State of New Jersey)	\$53,446,745,367	\$50,539,213,484
State's portion of the net pension liability that was associated with the Charter School	\$ 6,620,502	\$ -
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.01238710%	0.000000%

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures-TPAF- *continued***

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

***Actuarial Assumptions***

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

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

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

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures - *continued***

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 plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

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

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures - *continued***  
**Teachers Pension and Annuity Fund (TPAF)**

***Discount Rate***

The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

***Pension plan fiduciary net position***

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

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures - *continued***

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

***Summary of Significant Accounting Policies***

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

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

At June 30, 2015, the Charter School reported a liability of \$525,717 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014 and June 30, 2013 the Charter School's proportion were 0.0028079094% and 0.0869831100% respectively.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$85,544. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:



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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures (PERS)- *continued***

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	38,476	-
Net difference between projected and actual earnings on pension plan investments	-	31,330
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	312,889	-
Charter School's contributions subsequent to the measurement date	23,148	-
<b>Total</b>	<b><u>\$ 374,513</u></b>	<b><u>\$ 31,330</u></b>

\$23,148 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2015	\$ 103,667
2016	103,667
2017	103,667
2018	103,667
2019	(62,571)
Thereafter	(28,916)
	<b><u>\$ 323,183</u></b>

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures - *continued***

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

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

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Collective deferred outflows of resources	\$ 952,194,675	\$ -
Collective deferred inflows of resources	\$ 1,479,224,662	\$ -
Collective net pension liability (Non-State Local Group)	\$ 18,722,735,003	\$ 19,111,986,911
Charter School's portion of the net pension liability	\$ 525,717	\$ 166,242
Charter School's proportion (percentage)	0.00280791%	0.00086983%

***Actuarial Assumptions***

The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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

***Long-Term Expected Rate of Return***

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2014 are summarized in the following table:

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures - *continued***  
**Public Employees' Retirement System (PERS)**

***Long-Term Expected Rate of Return -***

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

***Discount Rate***

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

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures ( PERS)- *continued***

Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

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

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7 Pension Plans – GASB 68 Disclosures (PERS)- *continued***

***Pension Plan Fiduciary Net Position***

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

**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, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

**NOTE 9 COMPENSATED ABSENCES**

Employees of the Organization are entitled to be paid unused vacation and authorized sick days. The Charter School policy is to forfeit any unused sick days at the end of fiscal year to prevent accumulation of sick days into the future. The unused vacation days are usually accrued if there are any. At June 30, 2015, there were no unused vacations days to be accrued.

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 10 ON BEHALF PAYMENTS/REIMBURSEMENTS**

In accordance with N.J. S.A. 18A: 66-66 of the State of New Jersey reimbursed the school \$220,169 during the year ended June 30, 2015 for the employer’s share of social security contributions for TPAF members and the on behalf pension payments. This amount has been included in the accompanying CAFR as revenue and expenditure as non-budgeted items.

**NOTE 11 New Jersey Unemployment Compensation**

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

<u>Fiscal year</u>	<u>Employee Contributions</u>	<u>Ending Balance</u>
2014-2015	\$ 2,628	\$ 0

**NOTE 12 BUSINESS RISK**

The Charter School receives its support from federal, state and local governments. A significant reduction in the level of support, if it were to occur may have an adverse effect on the Charter School’s programs and activities.

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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 13 RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**NOTE 13 INTERFUND RECEIVABLE AND PAYABLE**

The composition of inter-fund balances as of June 30, 2015 is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 375,149	\$ -
Special Revenue Fund	-	300,749
Fiduciary Funds	-	74,400
	<u>\$ 375,149</u>	<u>\$ 375,149</u>

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

**NOTE 14 COMMITMENTS**

The grant program is subject to financial and compliance audits by the grantors or their representatives. The final determination on the allowability of costs resulting from expenditures funded by New Jersey Department of Education (NJDOE) remains with NJDOE. Management is not aware of any material items of non compliance which would result in disallowance of the program expenditures.

**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTES 15 RETROACTIVE RESTATEMENT OF NET POSITION**

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

Net position (per A-1) as of June 30, 2014	\$ 652,637
Restatement of net pension liability	(166,242)
Restatement of deferred outflows	(61,385)
Net position (per A-1) as of June 30, 2014, as restated	<u>\$ 425,010</u>

**NOTES 16 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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



**M. E. T. S. CHARTER SCHOOL**

**HUDSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

The reconciliation is as follows:

Fund balance per B-1	\$ 1,045,319
Cost of capital assets net accumulated depreciation	-
Pension deferred outflows	329,420
Pension deferred inflows	(31,330)
Deferred pension liability as of June 30, 2015	(525,717)
Net position (per A-1) as of June 30, 2015	<u>\$ 817,692</u>

**NOTE 18 PROBATION**

M.E.T.S. Charter School was placed on probationary status by the New Jersey Department of Education on December 24, 2014. The probation was further extended to March 2, 2015, the date at which a decision will be made to renew or non-renew the school's charter for additional five year period. The probation stemmed out of issues such as Nepotism, violation of public contract law and conflict of interest to mention a few. A possible end result is deformation of the school by the commissioner to revoke the school's charter which would require the school to cease operation within sixty (60) days of notification by the Commissioner of Education. The fiscal probation was removed but the academic probation was still in process as of June 30, 2015.

However, it must be noted that great effort has been made by the school to remedy the issues; a new management has been put in place, the board composition is undergoing changes and faculty is making effort to continue to hire better qualified and competent teachers with focus on the school curriculum. In addition, the fiscal is progressively making positive changes as standard operating procedures are now being developed for some of the issues.

**NOTE 19 SUBSEQUENT EVENTS**

The Charter School has evaluated all subsequent events occurring through the date of the independent auditors report dated November 23, 2015. No events were determined to require disclosure except the status of the probation as disclosed in Note 18 above.

**M. E. T. S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Levy -Local share	\$ 82,081	\$ (2)	\$ 82,079	\$ 82,079	-
Miscellaneous	-	-	-	103,972	103,972
<b>Total - Local Sources</b>	<b>82,081</b>	<b>(2)</b>	<b>82,079</b>	<b>186,051</b>	<b>103,972</b>
<b>Categorical Aid:</b>					
Local Levy -State share	6,311,819	(170,716)	6,141,103	6,141,103	-
Security Aid	224,145	(7,393)	216,752	216,752	-
Special Education Aid	208,536	(7,732)	200,804	200,804	-
<b>Total State Sources</b>	<b>6,744,500</b>	<b>(185,841)</b>	<b>6,558,659</b>	<b>6,558,659</b>	<b>-</b>
<b>Revenue from Other Sources:</b>					
Interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	356,245	356,245
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	220,170	220,170
<b>Total Revenue from Other Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,415</b>	<b>576,415</b>
<b>Total Revenues</b>	<b>6,826,581</b>	<b>(185,843)</b>	<b>6,640,738</b>	<b>7,321,125</b>	<b>680,387</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Instruction</b>					
Salaries of Teachers	941,300	(7,843)	933,457	918,775	14,682
Salaries of Teachers	1,387,491	(101,052)	1,286,439	1,195,388	91,051
Other Salaries for Instruction	212,428	145,957	358,385	358,385	-
Purchased Professional-Educational Services	24,000	(2,670)	21,330	18,943	2,387
Other Purchased Services (400-500 series)	12,000	20,877	32,877	32,877	-
General Supplies	286,930	4,369	291,299	247,574	43,725
Special Ed Resource room	193,264	-	193,264	176,719	72,451
Textbooks	200,000	(72,770)	127,230	120,813	111,056
Miscellaneous Expenditures	30,000	(7,380)	22,620	16,174	6,446
<b>Total Instruction</b>	<b>3,287,413</b>	<b>(20,512)</b>	<b>3,266,901</b>	<b>3,085,648</b>	<b>341,798</b>

**M. E. T. S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Undist. Expend. - Administrative Cost</b>					
Salaries	702,470	(52,493)	649,977	634,127	15,850
Salaries of Secretarial and Clerical Assistants			-		-
Purchased Professional and Technical Service	39,000	(5,644)	33,356	27,356	6,000
Other Purchased Services and Technical Service	-	6,688	6,688	-	6,688
Support Service Salaries	-	-	-	-	-
Other Purchased Services - Legal	28,000	-	28,000	44,981	(16,981)
Judgement Against the Charter school	116,806	(115,704)	1,102	-	1,102
Audit	18,000	250	18,250	250	18,000
Other Purchased Services 400-500	24,000	5,207	29,207	27,957	1,250
Supplies and Materials	9,000	2,620	11,620	11,620	-
Emergency Reserve	45,000	-	45,000	-	45,000
Miscellaneous Expenditures	60,000	2,561	62,561	62,561	-
Communications/Telephone	9,000	1,755	10,755	9,729	1,026
Benefits-Social Security	-	-	-	-	-
Unemployment and Disability	73,000	66,118	139,118	139,118	-
Workers Compensation	-	-	-	-	-
Health and Dental	589,874	(27,225)	562,649	521,186	41,463
Tuition Reimbursement	-	-	-	-	-
<b>Total Undist. Expend. - Administrative Cost</b>	<b>1,714,150</b>	<b>(115,867)</b>	<b>1,598,283</b>	<b>1,478,885</b>	<b>119,398</b>
<b>Undist. Expend. - Support Services</b>					
Salaries	297,128	79,007	376,135	376,135	752,270
Other Purchased Services 400-500	150,000	(71,360)	78,640	69,281	9,359
Purchased Technical Services	18,000	(2,230)	15,770	15,742	28
Rental	600,000	(17,500)	582,500	582,500	-
Insurance-Fidelity, Liability, Property	97,787	-	97,787	97,500	287
Other Objects	6,000	8,595	14,595	14,297	298
Supplies and Materials	39,000	(12,297)	26,703	20,566	6,137
Facility Repairs and Maintenance	94,103	2,196	96,299	95,599	700
Utilities	96,000	(10,595)	85,405	69,507	15,898
Miscellaneous	12,000	(4,484)	7,516	5,129	2,387
Transportation Other Than to/fr School	30,000	9,385	39,385	38,897	488
Total Benefits Cost	529,154	(518,511)	10,643	-	10,643
Social Security	63,000	26,048	89,048	89,048	-
Other Retirement Cont - Pension	54,000	(27,014)	26,986	23,148	3,838
Health Benefits	-	460,672	460,672	28,601	432,071
Other Employee Benefit - Acc Sick	-	26,942	26,942	-	26,942
Travel	-	-	-	-	-
<b>Total Undist. Expend. - Support Services</b>	<b>2,086,172</b>	<b>(51,146)</b>	<b>2,035,026</b>	<b>1,525,950</b>	<b>1,261,346</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>3,800,322</b>	<b>(167,013)</b>	<b>3,633,309</b>	<b>3,004,835</b>	<b>1,380,744</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>7,087,735</b>	<b>(187,525)</b>	<b>6,900,210</b>	<b>6,090,483</b>	<b>1,722,542</b>
<b>CAPITAL OUTLAY</b>					
Non-instructional equipment	12,000	18,965	30,965	30,966	(96,327)
Instructional equipment	12,000	15,807	27,807	127,292	(3,159)
Construction Services	100,000	(7)	99,993	99,917	76
Purchase of land/improvement	-	-	-	-	-
Lease Purchase Agreement - Princi	-	-	-	-	-
Miscellaneous expenses	12,000	(8,630)	3,370	3,370	-
<b>Total Capital Outlay</b>	<b>136,000</b>	<b>26,135</b>	<b>162,135</b>	<b>261,545</b>	<b>(99,410)</b>
<b>ON-BEHALF CONTRIBUTIONS</b>					
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	356,245	(356,245)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	220,170	(220,170)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,415</b>	<b>(576,415)</b>
<b>TOTAL EXPENDITURES</b>	<b>7,223,735</b>	<b>(161,390)</b>	<b>7,062,345</b>	<b>6,928,443</b>	<b>133,902</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (Under) Expenditures	(397,154)	(24,453)	(421,607)	392,682	814,289
Fund Balance, July 1	-	-	-	652,637	(652,637)
Fund Balance, June 30	<b>\$ (397,154)</b>	<b>\$ (24,453)</b>	<b>\$ (421,607)</b>	<b>\$ 1,045,319</b>	<b>\$ 161,652</b>

**M. E. T. S. CHARTER SCHOOL  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Sources	\$ 7,500		7,500	\$ 7,500	\$ -
State Sources			-	-	-
Federal Sources	333,025	-	333,025	394,670	61,645
Contributions	-	-	-	-	-
<b>Total Revenues</b>	<b>340,525</b>	<b>-</b>	<b>340,525</b>	<b>402,170</b>	<b>61,645</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	263,100	42,202	305,302	376,071	(70,769)
Other Salaries for Instruction			-		-
Personal Services - Employee Benefits	39,578	(11,855)	27,723	18,599	9,124
Purchased Professional - Educational Services					
Other Purchased Services			-	7,500	(7,500)
General Supplies	30,347	(30,347)	-	-	-
Textbooks			-	-	-
Other Objects	-		-	-	-
<b>Total Instruction</b>	<b>333,025</b>	<b>-</b>	<b>333,025</b>	<b>402,170</b>	<b>(69,145)</b>
<b>Total Expenditures</b>	<b>333,025</b>	<b>-</b>	<b>333,025</b>	<b>402,170</b>	<b>(69,145)</b>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
<b>Other Fin.Sources (Uses)</b>	<b>\$ (7,500)</b>	<b>\$ -</b>	<b>\$ (7,500)</b>	<b>\$ -</b>	<b>\$ (7,500)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART II**  
**BUDGETARY COMPARISON**

**M. E. T. S. CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE 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 basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 7,321,125	[C-2] \$ 402,170
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	-	-
	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 7,321,125	[B-2] \$ 402,170
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 6,928,443	[C-2] \$ 402,170
Differences - budget to GAAP		
The district budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis.		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		-
	-	-
Total expenditures as reported on the statement of revenues,	[B-2] \$ 6,928,443	[B-2] \$ 402,170

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**METS CHARTER SCHOOL**  
**Schedule of the Charter School's Proportionat Share of the Net Pension Liability - PERS**  
**Last Two Fiscal Years**

Exhibit L-1

	<u>Fiscal Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Charter School's proportion of the net pension liability (assets)	0.0028079094%	0.0869831100%
Charter School's proportionate share of the net pension liability (assets)	<u>525,717</u>	<u>166,242</u>
Charter School's covered employee payroll	\$ 189,903	\$ 113,912
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	276.83%	145.94%
Plan fiduciary net position as a percentage of the total pension liability - local	52.08%	48.72%

**Note**

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



**METS CHARTER SCHOOL**  
**Schedule of the Charter School's Contribution - PERS**  
**Last Two Fiscal Years**

Exhibit L-2

	<b>Fiscal Year</b>	<b>Ended June 30,</b>
	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 23,148	\$ 6,554
Contribution in relation to the contractually required contribution	(23,148)	(6,554)
Contribution deficiency (excess)	\$ -	\$ -
Charter School's covered employee payroll	\$ 189,903	\$ 113,912
Contributions as a percentage of covered employee payroll	12.19%	5.75%

**Note**

Until a full ten year trend is compiled, information will be presented for those years for which information is available.
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**METS CHARTER SCHOOL**  
**Schedule of the Charter School's Proportionat Share of the Net Pension Liability - TPAF**  
**Last Two Fiscal Years**

Exhibit L-3

	<b>Fiscal Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Charter School's proportion of the net pension liability (assets)**	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 6,620,502	\$ -
<b>Total</b>	<b>\$ 6,620,502</b>	<b>\$ -</b>
Charter School's covered employee payroll	\$ 1,571,024	\$ 939,178
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll**	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%

**\*\*Note**

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

**Note**

Until a full ten year trend is compiled, information will be presented for those years for which information is available.
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**Note to Required Supplementary Information  
Pension Schedules  
Year ended June 30, 2015**

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

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

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

**Teacher's Pension and Annuity Fund (TPAF)**

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

**M. E. T. S. CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	NCLB				
	Title I	Title IIA	IDEA Part B	Private Donation	Total
<b>REVENUES</b>					
Local Sources	\$ -	\$ -	\$ -	\$ 7,500	\$ 7,500
State Sources	-	-	-	-	-
Federal Sources	310,913	-	83,757	-	394,670
<b>Total Revenues</b>	<b>310,913</b>	<b>-</b>	<b>83,757</b>	<b>7,500</b>	<b>402,170</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers	296,402	-	79,669	-	376,071
Other Salaries for Instruction	-	-	-	-	-
Personal Services - Employee Benefits	14,511	-	4,088	-	18,599
Purchased Professional - Educational Services	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	7,500	7,500
Other Purchased Services	-	-	-	-	-
General Supplies	-	-	-	-	-
Textbooks	-	-	-	-	-
Other Objects	-	-	-	-	-
<b>Total instruction</b>	<b>310,913</b>	<b>-</b>	<b>83,757</b>	<b>7,500</b>	<b>402,170</b>
<b>Support services:</b>					
Other Purchased Services	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
Other Purchased Services	-	-	-	-	-
Supplies & Materials	-	-	-	-	-
<b>Total support services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>310,913</b>	<b>-</b>	<b>83,757</b>	<b>7,500</b>	<b>402,170</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

At June 30, 2014, there was no capital project fund.

**ENTERPRISE FUNDS  
DETAIL STATEMENTS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges.

The Charter School did not offer Food Service Program and After Care Services for the year ended June 30, 2015.



**FIDUCIARY FUNDS  
DETAIL STATEMENTS**

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

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

At June 30, 2015 there was no non-expendable trust fund utilized by the Charter School.

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

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

**M. E. T. S. CHARTER SCHOOL**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2015**

	<b>Unemployment Compensation Insurance</b>	<b>Agency</b>			<b>Total Agency Fund</b>
		<b>Payroll Agency</b>	<b>Net Payroll</b>	<b>Student</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 94,414	\$ 3,204	\$ 31	\$ 97,649
Other current assets					-
Interfund Receivable	945	-	-	89	89
Total assets	945	94,414	3,204	120	97,738
<b>LIABILITIES</b>					
Interfund Payable	\$ -	\$ 74,468	\$ -	\$ -	\$ 74,468
Payroll deductions and withholdings	945	19,946	3,204	-	23,150
Payroll payable		-	-		-
Due to student group				120	120
Due to agency account	-	-	-	-	-
Total liabilities	945	94,414	3,204	120	97,738
<b>NET POSITION</b>					
Reserved for unemployment claims and other purposes	-	-	-	-	-
Unrestricted surplus	-	-	-	-	-
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -

**M. E. T. S. CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Unemployment Compensation Trust</b>
<b>ADDITIONS</b>	
General fund appropriation	\$ -
Employees contributions	2,628
Other	
Investment Earnings- net	-
Total Contributions	2,628
<b>DEDUCTIONS</b>	
Payment of claims	2,628
Payroll deductions	
Administrative expenses	
Total deductions	-
Change in net position	-
Net position-beginning of the year	-
Adjusted beginning net position	-
Reserved for unemployment claims and other purposes	\$ -

**M. E. T. S. CHARTER SCHOOL**

**STUDENT ACTIVITY AGENCY FUND**

**SCHEDULE OF RECEIPTS AND DISBURSEMENT**

**JUNE 30, 2015**

	<u>Balance</u> <u>June 30, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursement</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS</b>				
Student Activity Fund	\$ 4,599	\$ 73,896	\$ 78,464	\$ 31
	<u>-</u>		<u>-</u>	<u>-</u>
Total	<u>4,599</u>	<u>73,896</u>	<u>78,464</u>	<u>31</u>

**M. E. T. S. CHARTER SCHOOL  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
JUNE 30, 2015**

<u>Assets</u>	<u>Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2015</u>
Cash	\$ 11,205	\$ 840,441	\$ 757,232	\$ 94,414
Interfund receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 11,205</b>	<b>\$ 840,441</b>	<b>\$ 757,232</b>	<b>\$ 94,414</b>
 <b><u>Liabilities</u></b>				
Interfund payable	\$ -	\$ -	\$ -	\$ -
Payroll deductions and withholdings	-	-	-	-
Other payable	-	-	-	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## **LONG-TERM DEBT**

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding. As of June 30, 2015 there were no activities to be reported in this section.

## **STATISTICAL SECTION**

GASB requires 10 years of statistical data be presented.  
Each year thereafter, an additional year's data will be included up to 10 years

**M. E. T. S. CHARTER SCHOOL  
NET POSITION BY COMPONENT  
LAST FOUR YEARS  
JUNE 30, 2014**

**Exhibit J-1**

**UNAUDITED**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -
Restricted				
Unrestricted	817,692	652,637	239,431	714,407
<b>Total governmental activities net position</b>	<u>\$ 817,692</u>	<u>\$ 652,637</u>	<u>\$ 239,431</u>	<u>\$ 714,407</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	-	-	-	-
<b>Total business-type activities net position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>District-wide</b>				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	817,692	652,637	239,431	714,407
<b>Total district net position</b>	<u>\$ 817,692</u>	<u>\$ 652,637</u>	<u>\$ 239,431</u>	<u>\$ 714,407</u>



**M. E. T. S. CHARTER SCHOOL**  
**LAST THREE YEARS**  
**JUNE 30, 2014**

Exhibit J-2

**CHANGES IN NET POSITION**

UNAUDITED

	2015	2014	2013
<b>Expenses</b>			
<b>Governmental activities</b>			
Instruction	\$ 3,487,818	\$ -	\$ 1,623,232
Administration	1,478,885	1,593,819	1,192,712
Support Services:	1,525,950	1,767,674	2,212,842
Capital Outlay	261,545	87,797	64,945
<b>Total governmental activities expenses</b>	<b>\$ 6,754,198</b>	<b>\$ 3,449,290</b>	<b>\$ 5,093,731</b>
<b>Business-type activities:</b>			
Food service	-	-	-
After Child Care	-	-	-
<b>Total business-type activities expense</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total district expenses</b>	<b>\$ 6,754,198</b>	<b>\$ 3,449,290</b>	<b>\$ 5,093,731</b>
<b>Program Revenues</b>			
<b>Governmental activities:</b>			
Revenue			
Operating grants and contributions	402,170	0	295,087
Capital grants and contributions			
<b>Total governmental activities program revenues</b>	<b>402,170</b>	<b>0</b>	<b>295,087</b>
<b>Business-type activities:</b>			
Charges for services			
Food service	0	0	0
After care and other services	0	0	0
Operating grants and contributions	0	0	0
Other income	0	0	0
Capital grants and contributions			
<b>Total business type activities program revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total district program revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Expense)/Revenue</b>	<b>(6,352,028)</b>	<b>(3,449,290)</b>	<b>(4,798,644)</b>
Governmental activities	-	-	-
Business-type activities	\$ (6,352,028)	\$ (3,449,290)	\$ (4,798,644)
<b>Total district-wide net expense</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General Revenues and Other Changes in net position</b>			
<b>Governmental activities:</b>			
General purposes			
Property taxes levied for general purpose	82,079	0	1,069,176
Grants and contributions(Federal/state aid )	6,558,659	0	3,252,270
Investment earnings			0
Miscellaneous income	103,972	321,300	2,222
Transfers	6,744,710	321,300	4,323,668
<b>Total governmental activities</b>	<b>6,744,710</b>	<b>321,300</b>	<b>4,323,668</b>
<b>Business-type activities:</b>			
Excess expenditures over revenue	0	0	0
Transfers	0	0	0
<b>Total business-type activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Charter -wide</b>	<b>\$ 6,744,710</b>	<b>\$ 321,300</b>	<b>\$ 4,323,668</b>
<b>Change in net position</b>			
Governmental activities	\$ 392,682	\$ (3,127,990)	\$ (474,976)
Business-type activities	-	-	-
<b>Total Charter School</b>	<b>\$ 392,682</b>	<b>\$ (3,127,990)</b>	<b>\$ (474,976)</b>

M. E. T. S. CHARTER SCHOOL

Exhibit J-3

LAST TWO YEARS

JUNE 30, 2013

UNAUDITED

FUND BALANCES- GOVERNMENTAL FUNDS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>General Fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>1,045,319</u>	<u>652,637</u>	<u>239,431</u>	<u>714,407</u>
Total general fund	<u>\$ 1,045,319</u>	<u>\$ 652,637</u>	<u>\$ 239,431</u>	<u>\$ 714,407</u>
<b>All Other Governmental Funds</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue fund	-	-	-	-
Capital projects fund	-	-	-	-
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total governmental funds	<u>\$ 1,045,319</u>	<u>\$ 652,637</u>	<u>\$ 239,431</u>	<u>\$ 714,407</u>

M. E. T. S. CHARTER SCHOOL

Exhibit J-4

LAST TWO YEARS

JUNE 30, 2015  
UNAUDITED

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

	2015	2014	2013
<b>Revenues</b>			
Local sources	\$ 89,579	\$ 1,473,539	\$ 1,069,176
Contribution	103,972		2,222
Miscellaneous	0	321,300	0
State sources	6,558,659	4,321,478	3,252,270
Federal sources	394,670	270,655	295,087
<b>Total revenue</b>	<u>7,146,880</u>	<u>6,386,972</u>	<u>4,618,755</u>
<b>Expenditures</b>			
Instruction			
Regular instruction	3,487,818	2,524,476	1,623,232
Special education instruction			
Other special instruction			
Vocational education			
Other instruction			
Nonpublic school programs			
Adult/continuing education			
Support Services:			
Tuition			
Student & inst. related services			
General administration	1,478,885	1,593,819	1,192,712
School administrative services			
Central services			
Admin. information technology			
Plant operations and maintenance			
Pupil transportation			
Other Support Services	1,525,950	1,767,674	2,212,842
Employee benefits			
Capital outlay	261,545	87,797	64,945
Debt service:			
Principal			
Interest and other charges			
<b>Total expenditures</b>	<u>6,754,198</u>	<u>5,973,766</u>	<u>5,093,731</u>
Excess (Deficiency) of revenues over (under) expenditures	392,682	413,206	(474,976)
<b>Other Financing sources (uses)</b>			
Proceeds from borrowing			
Capital leases (non-budgeted)			
Proceeds from refunding			
Transfers in			
Transfers out			
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balances</b>	<u>\$ 392,682</u>	<u>\$ 413,206</u>	<u>\$ (474,976)</u>

**M. E. T. S. CHARTER SCHOOL  
LAST TWO YEARS**

**Exhibit J-16**

**FULL TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION**

**JUNE 30, 2015**

**UNAUDITED**

<u>Function/Program</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction				
Regular	51	51	21	21
Special education				
Other special education				
Vocational				
Other instruction	5	5	2	2
Nonpublic school programs				
Adult/continuing education programs				
Support Services:				
Student & instruction related services	17	17	-	-
General administration	3	3	2	2
School administrative services	4	4	1	1
Other administrative services				
Central services				
Administrative Information Technology	2	2		
Plant operations and maintenance	1	1	18	18
Pupil transportation	2	2		
Other support services	9	9	2	2
Special Schools			0	0
Food Service				
Child Care				
Total	<u>94</u>	<u>94</u>	<u>46</u>	<u>46</u>

**Source: District Personnel Records**

M. E. T. S. CHARTER SCHOOL

Exhibit J-17

LAST TWO YEARS  
JUNE 30, 2014

OPERATING STATISTICS

UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2015	581	7,330,613	12,617	19.56%		534.5	523.8	60.00%	92.00%
2014	468	7,330,613	15,664	40.11%		430.6	421.9	38.24%	92.00%
2013	430	5,093,731	11,846	25.69%		170.0	166.6	2.91%	92.00%
2012	320	3,008,120	9,400	n/a		313.6	308.2	97.30%	97.30%

**M. E. T. S. CHARTER SCHOOL  
 LAST TWO YEARS  
 SCHOOL BUILDING INFORMATION  
 JUNE 30, 2015**

**Exhibit J-18**

1

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><u>Charter School Building</u></b>				
Square Feet	40,000	40,000	40,000	40,000
Building Capacity for students	600	600	600	600
<b>Enrollment:</b>				
Grade 6	82	82	80	75
Grade 7	110	110	100	70
Grade 8	144	144	120	100
Grade 9	76	76	70	75
Grade 10	69	69	60	
Grade 11	68	68	-	-
Total students	549	549	430	320

Charter School Performance Framework Financial Indicators  
New Term Indicators

June 30, 2015  
(Unaudited)

	<u>2015</u>
Cash	865,983
Current assets	356,437
Capital assets, net	0
Total assets	<u>1,222,420</u>
Current liabilities	251,501
Long term liabilities	
Total liabilities	<u>251,501</u>
Net position	(72,906)
Total revenue	6,744,710
Total expenses	<u>6,754,198</u>
Change in net position	<u>(9,488)</u>

Depreciation expense	
Interest expense	0
Principal payments	0
Interest payments	0

Final average daily enrollment	518
March 30th budgeted enrollment	550

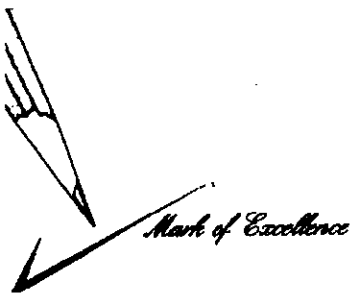
	<u>2,015</u>
<b>NEAR TERM INDICATORS:</b>	
Current ratio	141.72%
Unrestricted days cash	46.80
Enrollment variance	94.18%
Default	N/A

Source: Charter School Records

<b>M.E.T.S. CHARTER SCHOOL</b>		<b>2014-2015</b>		<b>LIMITS</b>		<b>COMPANY</b>		<b>2013-2014</b>		<b>LIMITS</b>		<b>COMPANY</b>	
<b>COVERAGE</b>		<b>\$</b>						<b>COVERAGE</b>		<b>\$</b>			
Property		882	Included	300,000		NJSIG		Property		300,000			NJSIG
Environmental						NJSIG		Environmental	Included				NJSIG
Boiler & Machinery		2		100,000,000		NJSIG		Boiler & Machinery					NJSIG
EDP		142		50,000		NJSIG		EDP					NJSIG
Crime		5,294				NJSIG		Crime					NJSIG
General Liability		10,363		11,000,000		NJSIG		General Liability					NJSIG
Auto Liability		2,892		11,000,000		NJSIG		Auto Liability					NJSIG
Package Total		19,575						Package Total		\$ 20,000			
School Board Legal		12,883		\$5,000 DED		NJSIG		School Board Legal		\$ 10,920			NJSIG
Student Accident		3,931				Berkeley Accident		Student Accident		\$ 3,700			Berkeley Accident
Workers Comp.		100,613				NJSIG		Workers Comp.		\$ 47,320			NJSIG
Supplemental Ind.		1,766				NJSIG		Supplemental Ind.		\$ 700			NJSIG
<b>Total</b>		<b>\$ 138,768</b>						<b>Total</b>		<b>\$ 82,640</b>			



**SINGLE AUDIT SECTION**



**ILORI CPA LLC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**& MANAGEMENT CONSULTANT**  
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**24 COMMERCE STREET SUITE 1427**  
**NEWARK, NEW JERSEY 07102**  
**Telephone (973)-621-5780**  
**Fax (973) 404-8858**

**EXHIBIT K-1**

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

The Honorable President and  
Members of the Board of Trustees  
M. E. T. S. Charter School, Inc.  
Hudson County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of M. E. T. S. Charter School, Inc.(M. E. T. S. ) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Charter School's basic financial statements, and have issued our report thereon dated November 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered M. E. T. S. Charter School, Inc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of M. E. T. S. Charter School, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

**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***

**Internal Control Over Financial Reporting - Continued**

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

We noted certain matters that we reported to the Board of Trustees of M.E.T.S Charter School in a separate *Auditors management report on Administrative Findings- Financial, Compliance and Performance* dated November 23, 2015.

**Purpose of this Report**

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

**Ilori CPA LLC**

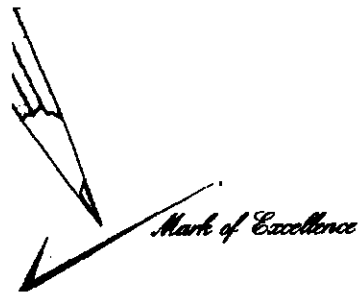
*KunleIlori*

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

*ILORI CPA LLC*

November 23, 2015



**ILORI CPA LLC**  
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**EXHIBIT K-2**

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and  
Members of the Board of Trustees  
M. E. T. S. Charter School, Inc.  
Hudson County, New Jersey

**Report on Compliance for Each Major Federal and State Programs**

We have audited M. E. T. S. Charter School, Inc., in the county of Essex, State of New Jersey (the "Charter School"),'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *New Jersey OMB Circular 04-04* that could have a direct and material effect on each of Charter school's major federal programs for the year ended June 30, 2015. The Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Charter School's major federal 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* . Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

**Opinion on Each Major Federal and State Program**

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

**Report on Internal Control over Compliance**

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

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

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

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

**Ilori CPA LLC**

*KunleIlori*

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

*ILORI CPA LLC*

November 23, 2015

M. E. T. S. CHARTER SCHOOL  
HUDSON COUNTY

EXHIBIT K-3  
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	Federal CFDA No.	Grant or State Project No.	Program Name	Program or Award Amount	Grant Period	(Accts. Rec.) Def. Rev Balance 06/30/14	Carryover (Walkover) Over Amount	Cash Received	Budgetary Expenditures	Adjustment	(Accts. Rec.) Def. Rev 06/30/15	Due to Grantor 06/30/15
U.S. Department of Education Passed-through State Dept. of Education:												
Title I Grants to Local Educational Agencies	84.010A	NCLB606814	Title I	\$ 333,025	07/1/14-06/30/15	\$ -	\$ (118,392)	118,392	310,912	\$ -	\$ (310,912)	\$ -
Title II Improving Teacher Quality	84.367A	NCLB606814	Title II A	3,288	07/1/14-06/30/15	0	0	70,769	83,756		(12,987)	
IDEA - Individuals with Disabilities Education Act	84.027	NCLB606814	IDEA	89,189	07/1/14-06/30/15	(153,553)	4,133	159,553	0	(4,133)	4,133	4,133
Title I Grants to Local Educational Agencies	84.010A	NCLB606813	Title I	159,553	09/1/13-8/31/14	(67,124)	420	67,124	0	(420)	420	420
Title I Grants to Local Educational Agencies	84.027	NCLB606813	IDEA	67,124	09/1/13-8/31/14							
Title II Improving Teacher Quality												0
<b>Total U. S. Dept. of Education</b>				<b>\$ 646,157</b>		<b>\$ (220,677)</b>	<b>\$ (113,839)</b>	<b>\$ 409,838</b>	<b>\$ 394,668</b>	<b>\$ (4,553)</b>	<b>\$ (319,346)</b>	<b>\$ 4,553</b>

See accompanying Notes to Schedules of Expenditures of Federal Awards

M. E. T. S. CHARTER SCHOOL  
HUDSON COUNTY

EXHIBIT K-4  
SCHEDULE B

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

JUNE 30, 2015

STATE GRANTOR/ PROGRAM TITLE	Grant or State Project No.	Program or Award Amount	Grant Period	(Accts. Rec.) Def. Rev June 30, 2014	Carryover (Walkover) Over Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment or Prior Year's Balance	(Accts. Rec.) Def. Rev June 30, 2015	Due to Grantor June 30, 2015
State Department of Education General Fund:											
Equalization Aid	15-495-034-5120-078	\$ 6,141,103	7/1/14-6/30/15	\$ -	\$ -	\$ 6,089,676	\$ 5,910,787	\$ -	\$ -	\$ 178,889	-
Security Aid	15-495-034-5120-08	216,752	7/1/14-6/30/15	-	-	216,752	216,752	-	-	0	-
Special Education	15-495-034-5120-089	200,804	7/1/14-6/30/15	-	-	200,804	200,804	-	-	0	-
TPAF-On-behalf payment	15-100-034-5095-007	356,245	7/1/14-6/30/15	-	-	356,245	356,245	-	-	0	-
TPAF - Social security	15-100-034-5095-006	220,170	7/1/14-6/30/15	-	-	220,170	220,170	-	-	0	-
<b>Total State Financial Assistance</b>		<b>7,135,074</b>				<b>7,083,647</b>	<b>6,904,758</b>			<b>178,889</b>	
Total expenditures general											

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.



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

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

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal and state award programs of the Board of Trustees, M. E. T. S. 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 are included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the modified accrual basis of accounting with the exception of those recorded in the special revenue, which are presented using the budgetary 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 OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation, of the basic financial statements.

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

The basic financial statements present the general fund and special revenue fund on GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for 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 subsequent year or expenditures have been made.

The general fund is presented in the accompanying schedule on the modified basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from budgetary basis to GAAP basis is \$0 for general fund and \$ 0 for special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows

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

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 6,558,659	\$ 6,558,659
Special Revenue Fund	402,170	-	402,170
	-	-	-
Total	<u>\$ 402,170</u>	<u>\$ 6,558,659</u>	<u>\$ 6,960,829</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. OTHER**

Revenue and expenditures reported under the Food distribution program represent current year value received and current year distributions respectively. The amount reported as TPAF 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, 2014.7

**NOTE 6. SCHOOL WIDE PROGRAM FUNDS**

School-wide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in school wide programs are included in the total expenditures of the program contributing the funds in the schedule of expenditures of the program contributing the funds in the schedule of expenditures of federal and state awards.

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

\* Material weakness (es) indentified? \_\_\_\_\_ yes        X   no

\* Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ yes        X   none reported

\* Noncompliance material to basic financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

Internal control over major programs:

\* Material weakness(es) identified? \_\_\_\_\_ yes        X   no

\* Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ yes        X   no

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

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
N/A	N/A

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

State Awards

Dollar threshold used to distinguish between type A and type B programs		\$ 300,000
Auditee qualifies as low risk auditee	_____ yes	_____ <u>X</u> _____ r
Internal control over major programs:		
* Material weakness(es) identified?	_____ yes	_____ <u>X</u> _____ r
* Significant deficiencies identified that are not considered to be material weaknesses	_____ yes	_____ <u>X</u> _____ r
Type of auditor's report issued on compliance for state major programs:		<u>Unmodified</u>
<u>GMIS Number (s)</u>		<u>Name of State Program</u>
15-495-034-5120-078		Equalization Aid

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year

None

**SUMMARY OF PRIOR YEAR SCHEDULES OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2015**

**Finding 2014-01      Unsupported Payment**

14-495-034-5120-078 – Equalization Aid

**Criteria**

N.J.S.A 18A: 11-12 & N.J.A.C 6A: 23A1.1 calls for fiscal accountability, efficiency and budgeting procedures to be implemented by the School districts and Charter Schools.

**Condition**

Our audit procedure uncovered two payments made to Friends of M.E.T.S in the amount of \$125,000 (\$70,000 and \$50,000) as loan repayments without a loan document to support such transactions.

**Status**

**Friends of M. E.T.S Charter School** has ceased to conduct business transactions either on behalf of METS Charter School or directly

**014-02– LACK OF PROPER ACCOUNTABILITY OF FUNDS**

14-495-034-5120-078 – Equalization Aid

**Accountability**

*Criteria:*

N.J.S.A 18A: 11-12 & N.J.A.C 6A: 23A1.1 calls for fiscal accountability, efficiency and budgeting procedures to be implemented by the School districts and Charter Schools.

**SUMMARY OF PRIOR YEAR SCHEDULES OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2015**

**Accountability**

**Condition**

Our review and test of accounting records disclosed lack of support for a six (6) items in selected samples support for accounting balances on the financial statements. Furthermore, a few of the transactions were misclassified such as vacations being relegated to miscellaneous expense instead of benefits if properly supported. It must be noted that these occurrences predated the new management.

**Status**

The School has established standard operating procedures for the treatment of business transactions. All supporting documents are now filed away by vendors with related cancelled checks and other pertinent information.

**2014-03– IMPROPER USE OF AGENCY ACCOUNT**

**14-495-034-5120-078 – Equalization Aid**

*Criteria:*

N.J.S.A 18A: 11-12 & N.J.A.C 6A: 23A1.1 calls for fiscal accountability, efficiency and budgeting procedures to be implemented by the School districts and Charter Schools.

*Condition:*

Although remittances to third parties were being paid, the agency account was not properly tracked in the course of the year. There is excessive fund in the net payroll account while the Trust Fund whose purpose is to accumulate fund pending the remittance to applicable regulatory agency or third party payer is significantly underfunded.

**Status**

The payroll and agency accounts are now conservatively handled, management now transfers on a need basis.