

***INTERNATIONAL CHARTER SCHOOL  
OF TRENTON***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

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

**INTERNATIONAL CHARTER SCHOOL  
OF  
TRENTON**

***International Charter School of Trenton  
Board of Trustees  
Trenton, New Jersey***

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

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

**Prepared By  
International Charter School of Trenton  
Finance Department**

**And  
Barre & Company, CPA's**

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***INTRODUCTORY SECTION***

***International Charter School of Trenton  
105 Grand Street  
Trenton, New Jersey 08611  
609-394-3111***

December 14, 2015

Honorable President and  
Members of the Board of Trustees  
International Charter School of Trenton  
County of Mercer  
Trenton, New Jersey

Dear Board Members:

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

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

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

## Charter School Organization

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

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

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

The Charter School provides a full range of services appropriate to grade levels Kindergarten through Grade 4. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2014-2015 school year with an enrollment of 90 students. The following details the student enrollment of the Charter School over the last five years.

### Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2014-2015	90.0	0.09%
2013-2014	89.9	0.00%
2012-2013	89.9	0.56%
2011-2012	89.4	0.45%
2010-2011	89.0	-1.11%

2. **ECONOMIC CONDITION AND OUTLOOK:** International Charter School of Trenton opened its doors in September 1998. Management is stable and the school's finances are solid, supporting the maturing academic program and this audit will show continued stability and integrity.

3. **MAJOR INITIATIVES:** The Charter School has developed a comprehensive strategic plan to support its mission and vision and serves as a blueprint for the achievement of its goals. The plan includes objectives, such as pupil achievement as measured by standardized tests and teacher assessment instruments; formal professional development for the certified and non-certified staff; and the implementation of a technology plan in all classrooms.

4. **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

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

7. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen’s compensation.

8. **OTHER INFORMATION:**

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

9. **ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2011-2012, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

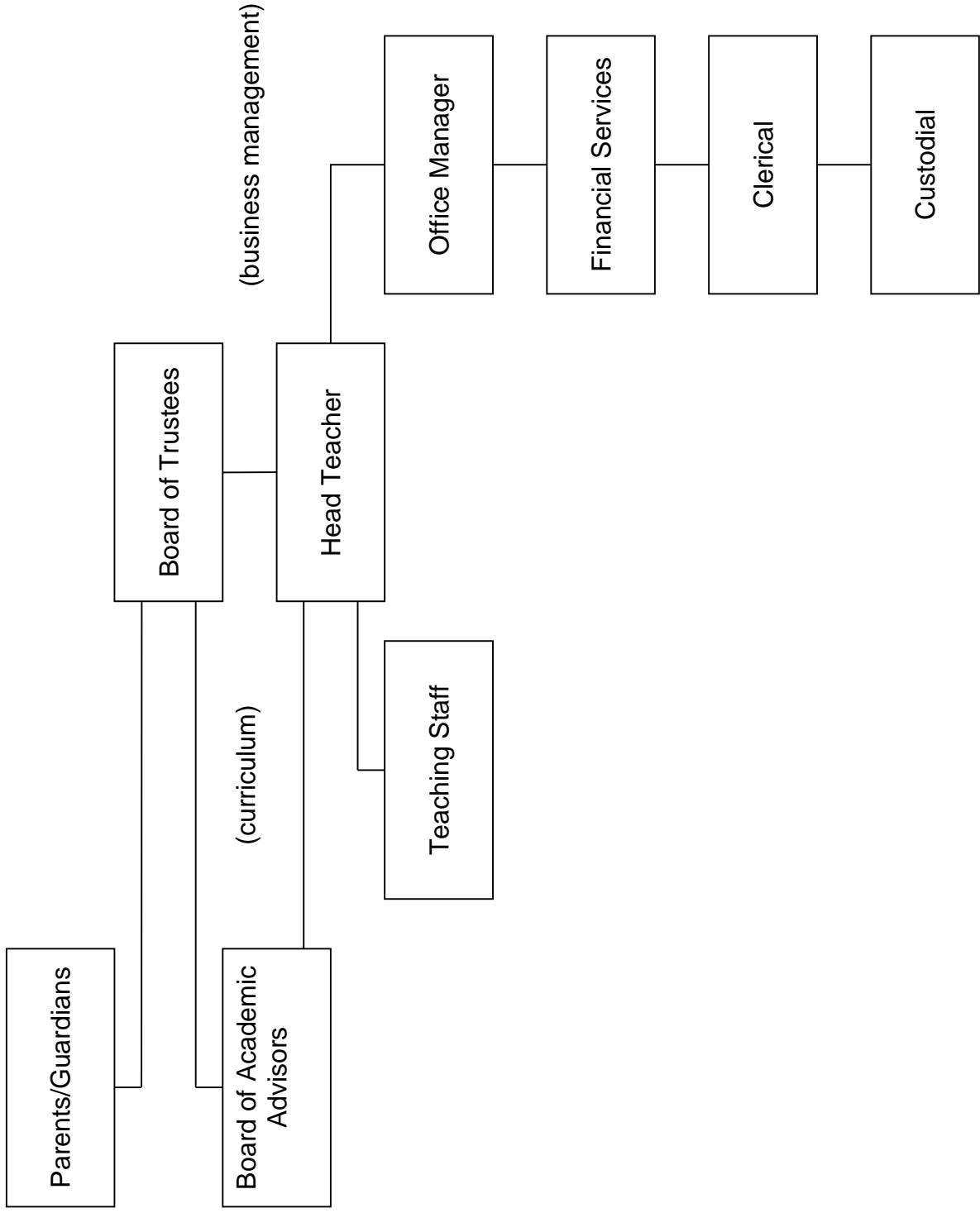
Respectfully submitted,



Melissa Benford  
Head Teacher/Administrator

INTERNATIONAL CHARTER SCHOOL OF TRENTON

ORGANIZATIONAL CHART



**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

**ROSTER OF OFFICIALS  
June 30, 2015**

**MEMBERS OF THE BOARD OF TRUSTEES**

Robert A. Kull, President

Rachael Binz, Vice President

Jason Briggs, Member

Tom Ogren, Member

Kimberly Sdeo, Member

Melissa Benford, Head Teacher and an Ex-Officio, non-voting member

**OTHER OFFICIALS**

Peter Lanzi, School Business Administrator

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

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

***Attorney***

Schwartz, Simon, Edelstein & Celso, LLC  
100 South Jefferson Road  
Suite 200  
Whippany, New Jersey 07981

***Official Depository***

Bank of America  
301 Carnegie Center  
Princeton, New Jersey 08543



***FINANCIAL SECTION***

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

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*(908) 686-3484*  
*FAX – (908) 686-6055*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Trustees  
International Charter School of Trenton  
County of Mercer  
Trenton, New Jersey

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

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

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

### ***Opinions***

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

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

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 15 and 74, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in

accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated December 14, 2015 on our consideration of the International Charter School of Trenton's internal control over financial reporting and our tests of its compliance with

certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey and the Division of Finance, Department of Education, State of New Jersey in considering the Charter School's internal control over financial reporting and compliance.

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

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

December 14, 2015

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

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

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

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

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- ❖ General revenues accounted for \$1,495,293 or 95% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$72,611 or 5% of total revenues of \$1,567,904.
- ❖ The Charter School had \$1,548,924 in expenses; only \$72,611 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,495,293 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$1,405,482 in revenues and \$1,374,971 in expenditures. The General Fund's fund balance increased \$30,511 over 2014.
- ❖ During 2015, the Charter School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

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

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

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

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

**Reporting the Charter School as a Whole**

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

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

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



**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

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

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

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

**Governmental Funds**

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

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

**Enterprise Fund**

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

**The Charter School as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined Net Position were -\$430,420 on June 30, 2015 and \$69,360 on June 30, 2014.

**Governmental Activities**

The Charter School's total revenues were \$1,512,745 for the fiscal year 2015 and \$1,439,514 for 2014, this includes \$48,597 for 2015 and \$46,059 for 2014 of state reimbursed TPAF social security contributions.

The total cost of all programs and services was \$1,496,901 for 2015 and \$1,479,259 for 2014. Instruction comprises 54% for 2015 and 57% for 2014 of Charter School expenses.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

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

**Business-Type Activities**

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

- ❖ Food service revenues exceeded expenditures by \$3,136 for 2015 and revenues exceeded expenses by \$7,676 for 2014.
- ❖ Charges for services represent \$3,447 for 2015 and \$3,311 for 2014 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$51,712 for 2015 and \$50,722 for 2014.

**Governmental Activities**

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

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

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

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

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

**The Charter School's Funds**

All governmental funds (i.e., general fund, special revenue fund, and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,512,745 for 2015 and \$1,439,514 for 2014 and expenditures were \$1,482,234 for 2015 and \$1,479,259 for 2014.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2014</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 117,532	7.77%	\$ (236)	-0.20%
State Sources	1,287,950	85.14%	69,533	5.71%
Federal Sources	107,263	7.09%	3,934	3.81%
 Total	 <u>\$ 1,512,745</u>	 <u>100.00%</u>	 <u>\$ 73,231</u>	

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

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2014</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 814,923	54.98%	\$ 136,965	20.20%
Administration	356,069	24.02%	(165,523)	-31.73%
Support Services	311,242	21.00%	31,533	11.27%
 Total	 <u>\$ 1,482,234</u>	 <u>100.00%</u>	 <u>\$ 2,975</u>	

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
TRENTON, NEW JERSEY**

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

**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 in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

**Capital Assets**

At the end of fiscal year 2015, the Charter School had no investments in leasehold improvements and equipment and none for 2014.

**For the Future**

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

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

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Peter Lanzi, School Business Administrator at International Charter School of Trenton, 105 Grand Street, Trenton, New Jersey 08611.

***BASIC FINANCIAL STATEMENTS***

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents:			
Unrestricted	\$ 64,983	\$ 4,834	\$ 69,817
Restricted	1,763		1,763
Internal Balances	21,823		21,823
Receivables	21,584	9,581	31,165
Capital Assets, Net		262	262
<b>Total Assets</b>	<b>110,153</b>	<b>14,677</b>	<b>124,830</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	15,353		15,353
<b>Total Deferred Outflows of Resources</b>	<b>15,353</b>	<b>-</b>	<b>15,353</b>
<b>LIABILITIES:</b>			
Interfund Payable	15,804	6,019	21,823
Noncurrent Liabilities:			
Pensions	469,326		469,326
<b>Total Liabilities</b>	<b>485,130</b>	<b>6,019</b>	<b>491,149</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	79,454		79,454
<b>Total Deferred Inflows of Resources</b>	<b>79,454</b>	<b>-</b>	<b>79,454</b>
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets			
Invested in Capital Assets, Net of Related Debt		4,716	4,716
Unassigned	(439,078)	3,942	(435,136)
<b>Total Net Position</b>	<b>\$ (439,078)</b>	<b>\$ 8,658</b>	<b>\$ (430,420)</b>

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



**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Statement of Activities  
 For The Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 657,735	\$ 157,188	\$ -	\$ 17,452	\$ -	\$ (797,471)	\$ -	\$ (797,471)
Administration	305,012	65,724				(370,736)		(370,736)
Support Services	284,728	26,514				(311,242)		(311,242)
Total Governmental Activities	1,247,475	249,426	-	17,452	-	(1,479,449)	-	(1,479,449)
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	52,023		3,447	51,712			3,136	3,136
Total Business-Type Activities	52,023		3,447	51,712			3,136	3,136
Total Primary Government	\$ 1,299,498		\$ 3,447	\$ 69,164	\$ -	\$ (1,479,449)	\$ 3,136	\$ (1,476,313)
<b>GENERAL REVENUES</b>								
General Purposes						\$ 116,464	\$ -	\$ 116,464
Federal and State Aid Not Restricted						1,377,761		1,377,761
Miscellaneous Income						1,068		1,068
Total General Revenues						1,495,293		1,495,293
Change in Net Position						15,844	3,136	18,980
Net Position (Deficit) - Beginning of Year- Restated						(454,922)	5,522	(449,400)
Net Position (Deficit) - Ending						\$ (439,078)	\$ 8,658	\$ (430,420)

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

**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2015

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents:			
Unrestricted	\$ 64,163	\$ 820	\$ 64,983
Restricted	1,763		1,763
Receivables:			
Interfund Receivables	21,823		21,823
Receivables From Other Governments		14,984	14,984
Security Deposit	6,600		6,600
	94,349	15,804	110,153
Total Current Assets			
	\$ 94,349	\$ 15,804	\$ 110,153
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 15,804	\$ 15,804
	-	15,804	15,804
Total Current Liabilities			
Fund Balances:			
Unassigned:			
General Fund	94,349		94,349
	94,349	-	94,349
Total Fund Balances			
	\$ 94,349	\$ 15,804	
Total Liabilities and Fund Balances			
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets are \$66,469 and the accumulated depreciation is \$66,469.			
			-
Net pension liability of \$469,326, deferred inflows of resources of \$79,454 less deferred outflows of resources of \$15,353 related to pensions are not reported in the governmental funds			
			(533,427)
Net Position of Governmental Activities			\$ (439,078)

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

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

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ 116,464	\$ -	\$ 116,464
Miscellaneous	1,068		1,068
Total Local Sources	117,532		117,532
State Sources	1,287,950		1,287,950
Federal Sources		107,263	107,263
Total Revenues	1,405,482	107,263	1,512,745
<b>EXPENDITURES:</b>			
Current:			
Instruction	596,738	60,997	657,735
Administration	539,771		539,771
Support Services	238,462	46,266	284,728
Total Expenditures	1,374,971	107,263	1,482,234
NET CHANGE IN FUND BALANCES	30,511		30,511
FUND BALANCES, JULY 1	63,838	-	63,838
FUND BALANCES, JUNE 30	\$ 94,349	\$ -	\$ 94,349

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

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

Total net change in fund balances - Governmental Fund (from B-2)	\$	30,511
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation Expense		-
Capital Outlay		-

Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.

		<u>(14,667)</u>
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Change in net position of governmental activities	\$	<u><u>15,844</u></u>
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The accompanying Notes to Basic Financial Statements are integral part of this statement.

***PROPRIETARY FUNDS***

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**

Proprietary Fund  
Statement of Fund Net Position  
June 30, 2015

	Business-Type Activities Enterprise Fund <u>Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,834
Receivables From Other Governments	<u>9,581</u>
Total Current Assets	<u>14,415</u>
Noncurrent Assets:	
Machinery and Equipment	2,620
Less Accumulated Depreciation	<u>(2,358)</u>
Total Noncurrent Assets	<u>262</u>
Total Assets	<u>\$ 14,677</u>
<b>LIABILITIES AND NET POSITION:</b>	
Current Liabilities:	
Interfund Accounts Payable	<u>\$ 6,019</u>
Total Liabilities	<u>6,019</u>
Net Position:	
Net Investment in Capital Assets	
Net Investment in Capital Assets	4,716
Unassigned	<u>3,942</u>
Total Net Position	<u>8,658</u>
Total Liabilities and Net Position	<u>\$ 14,677</u>

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



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

	Business-Type Activities <u>Enterprise Fund</u> <u>Food Service</u>
<b>OPERATING REVENUES:</b>	
Charges for Services:	
Daily Sales Reimbursable Program	<u>\$ 3,447</u>
Total Operating Revenues	<u>3,447</u>
<b>OPERATING EXPENSES:</b>	
Depreciation Expense	524
Cost of Sales	<u>51,499</u>
Total Operating Expenses	<u>52,023</u>
<b>OPERATING LOSS</b>	<u>(48,576)</u>
<b>NONOPERATING REVENUES:</b>	
State Source:	
State Lunch Program	759
Federal Source:	
Federal BreakFast Program	10,333
Federal Lunch Program	<u>40,620</u>
Total Nonoperating Revenues	<u>51,712</u>
<b>CHANGE IN NET POSITION</b>	3,136
<b>TOTAL NET POSITION, JULY 1</b>	<u>5,522</u>
<b>TOTAL NET POSITION, JUNE 30</b>	<u><u>\$ 8,658</u></u>

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
Proprietary Funds  
Statement of Cash Flows  
For The Fiscal Year Ended June 30, 2015

	Business-Type Activities <u>Enterprise Fund</u> <u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 3,447
Cash Payments to Suppliers and Employees	<u>(51,705)</u>
Net Cash Used by Operating Activities	<u>(48,258)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received from State and Federal Reimbursements	<u>51,712</u>
Net Cash Provided by Noncapital Financing Activities	<u>51,712</u>
Net Increase in Cash and Cash Equivalents	3,454
Cash and Cash Equivalents, July 1	<u>1,380</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 4,834</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss Used for Operating Activities	\$ (48,576)
Depreciation	524
<b>Changes in Assets and Liabilities:</b>	
Decrease in Interfund Accounts Receivable	4,301
Increase in Intergovernmental Accounts Receivable	(5,922)
Decrease in Interfund Accounts Payable	4,635
Decrease in Accounts Payable	<u>(3,220)</u>
Net Cash Used by Operating Activities	<u><u>\$ (48,258)</u></u>

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

***FIDUCIARY FUNDS***

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Fiduciary Fund  
 Statement of Fiduciary Net Position  
 June 30, 2015

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>\$ 25,307</u>
Total Assets	<u><u>\$ 25,307</u></u>
 <b>LIABILITIES:</b>	
Liabilites:	
Payroll Deductions and Withholding Payable	<u>\$ 25,307</u>
Total Liabilites	<u><u>\$ 25,307</u></u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

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

**B. Reporting Entity**

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintained a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**B. Reporting Entity (continued)**

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

**C. Basic Financial Statements – Government-Wide Statements**

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the Charter School, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**C. Basic Financial Statements – Government-Wide Statements (Continued)**

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Charter School.

**D. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

**Governmental Fund Types**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. 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.



**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**D. Basic Financial Statements – Fund Financial Statements (Continued)**

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, charter school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by 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.

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 acquisition, construction and improvement programs.

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

Enterprise Funds – The Enterprise Funds are 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 costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**D. Basic Financial Statements – Fund Financial Statements (Continued)**

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income.

The Charter School's Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

In its accounting and financial reporting, the Charter School follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**D. Basic Financial Statements – Fund Financial Statements (Continued)**

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**D. Basic Financial Statements – Fund Financial Statements (Continued)**

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds): The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**E. Measurement Focus and Basis of Accounting (Continued)**

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**F. Budgets/Budgetary Control**

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

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

	<u>2015</u>	<u>2014</u>
Total Revenues & Expenditures (Budgetary Basis)	\$ 107,263	\$ 103,329
Adjustments:		
Less Encumbrances at June 30, 2015	-	-
Plus Encumbrances at June 30, 2014	-	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 107,263</u>	<u>\$ 103,329</u>

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**F. Budgets/Budgetary Control (Continued)**

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

**G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity –**

**1. Deposits and Investments**

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

Additionally, the Charter School had adopted a cash management plan that 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 a loss of funds on deposit with a failed banking institution in New Jersey.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

2. Short-term Interfund Receivables/Payables

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

3. Inventories

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

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Charter School has included all infrastructure assets in the current fiscal year.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

5. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Net Position/Fund Balance

The Charter School implemented 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 statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) 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.

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.



**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

**H. Fund Balance Reserves**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**I. Recent Accounting Pronouncements**

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The statement which is effective for periods beginning after December 15, 2011, amends and supersedes several previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. The Charter School has adopted this statement for the year ended June 30, 2015.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**I. Recent Accounting Pronouncements (Continued)**

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement, which is effective for periods beginning after December 15, 2011, amends several previously issued GASB statements to standardize reporting of deferred inflows and outflows of financial resources. The Charter School has amended its financial reporting to comply with this statement for the year ended June 30, 2015.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement which is effective for periods beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Charter School has adopted this statement for the year ended June 30, 2015.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66, "Technical Corrections – 2012, an Amendment of GASB Statements 10 & 62." This statement which is effective for periods beginning December 15, 2012, purpose is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Charter School is in the process of reviewing its obligations under GASB 66, and its potential impact on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, "Financial Reporting for Pension Plans, an Amendment of GASB 25." This statement will be effective for periods beginning with the year ending June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, "Pension Disclosures." The Charter School is in the process of reviewing its obligations under GASB 67, and its potential impact on the financial statements.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**I. Recent Accounting Pronouncements (Continued)**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions." This statement will be effective for periods beginning with the year ending June 25, 2014. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", as well as the requirements of Statement No. 50, "Pension Disclosures." This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Charter School is in the process of reviewing its obligations under GASB 67, and its potential impact on the financial statements.

**J. Pensions**

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

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**

**A. Deposits and Investments**

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

Deposits and Investments (Continued)

Deposits (Continued)

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

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

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Health Fund	Total
Operating Account	64,163	820	4,834	25,307	1,763	\$ 96,887

The Charter School had no investments at June 30, 2015.

The carrying amount of the Board's cash and cash equivalents at June 30, 2015 was \$96,887 and the bank balance was \$150,570. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**  
**(CONTINUED)**

Deposits and Investments (Continued)

Deposits (Continued)

As of June 30, 2015, none of the cash and cash equivalents for International Charter School of Trenton were exposed to custodial credit risk.

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

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
  - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
  - (2) Government money market mutual funds;
  - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
  - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
  - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
  - (6) Local government investment pools;
  - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**  
**(CONTINUED)**

Deposits and Investments (Continued)

Investments (Continued)

- (8) Agreements for the repurchase of fully collateralized securities, if:
- a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2015.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2015.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2015.

Receivables

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

Deposits and Investments (Continued)

Investments (Continued)

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ -	\$ 136
Federal Aid	14,984	24,429
Other	6,600	6,600
Gross Receivables	21,584	31,165
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 21,584</u>	<u>\$ 31,165</u>

A. Interfund Receivables and Payables

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 21,823	\$ -
Special Revenue Fund		15,804
Proprietary Fund		6,019
Total	<u>\$ 21,823</u>	<u>\$ 21,823</u>

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

Deposits and Investments (Continued)

Investments (Continued)

**B. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Leasehold Improvements	\$ 25,000	\$ -	\$ -	\$ 25,000
Machinery and Equipment	41,469	-	-	41,469
Totals at Historical Cost	<u>66,469</u>	<u>-</u>	<u>-</u>	<u>66,469</u>
Less Accumulated Depreciation For:				
Leasehold Improvements	25,000	-	-	25,000
Machinery and Equipment	41,469	-	-	41,469
Total Accumulated Depreciation	<u>66,469</u>	<u>-</u>	<u>-</u>	<u>66,469</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government Activity Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.



**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE III: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES/EXPENDITURES**

Rental Lease

The School operates under a Business Lease (“Lease”) agreement to lease classroom and office space in portions of the Bishop Beky Center of the Hungarian Reformed Church located at 105 Grand Avenue, Trenton, New Jersey. The lease is dated July 1, 2006, and the term of the lease is for five (5) years, and runs through June 30, 2012. The School has an option under the lease to renew for one (1) year. Per the lease, the School deposited with the landlord a security deposit of \$6,600 in an interest bearing account. Total lease payments made during the year ended June 30, 2015 were \$82,848. In addition, the lease obligates the School to be responsible for 80% of the utility costs.

**NOTE IV: PENSION PLANS**

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

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

**Plan Description**

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

**Benefits Provided**

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Benefits Provided (Continued)**

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

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

**Contributions**

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
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**NOTE IV: PENSION PLANS (CONTINUED)**

**Contributions (Continued)**

annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 21,260 for fiscal year 2015.

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

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

At June 30, 2015, the Charter School reported a liability of \$ 469,326 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 which was rolled forward to June 30, 2014. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Charter School's proportion was 0.00250672%, which was a decrease of 0.00031884% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2014, the Charter School recognized pension expense of \$ 21,872 . At June 30, 2014, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 14,758	\$ -
Changes in Proportion	595	51,475
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	27,979
	<u>\$ 15,353</u>	<u>\$ 79,454</u>

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
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**NOTE IV: PENSION PLANS (CONTINUED)**

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

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

Fiscal Year Ending June 30,	Total
2015	\$ (6,062)
2016	(6,062)
2017	(6,062)
2018	(6,062)
2019	4,758
Thereafter	2,094
	\$ (17,397)

**Actuarial Assumptions**

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

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

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
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**NOTE IV: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return**

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

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

**Discount Rate**

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Discount Rate (Continued)**

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 pension plan investments was applied to projected benefit payments after that date in determining the total pension liability.

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

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

Fiscal Year Ended June 30, 2014			
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School proportionate share of the Net Pension Liability	\$ 590,428	\$ 469,326	\$ 367,631

Fiscal Year Ended June 30, 2013			
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Charter School proportionate share of the Net Pension Liability	\$ 672,254	\$ 540,020	\$ 429,226

**Pension Plan Fiduciary Net Position**

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE IV: PENSION PLANS (CONTINUED)**

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

**Pension Description**

The State of New Jersey, Teacher’s Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefit Provided**

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE IV: PENSION PLANS (CONTINUED)**

**Contributions**

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

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2015, the State of New Jersey contributed 17,395 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 21,421 .

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

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

As June 30, 2015, the State's proportionate share of the net pension liability associated with the Charter School was \$ 2,695,182 . The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014.



**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, Charter School's proportion was 0.0050427%, which was a decrease of 0.0006957% from its proportion measured as of June 30, 2013.

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>2,695,182</u>
Total	<u>\$ 2,695,182</u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the Charter School in the amount of \$ 21,421 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

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

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

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

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

**Actuarial Assumptions**

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 200 until the valuation date plus 15 years to account for 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.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Actuarial Assumptions (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 pension investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2014 is summarized in the following table:

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE IV: PENSION PLANS (CONTINUED)**

**Discount Rate – TPAF**

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

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

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

Fiscal Year Ended June 30, 2014			
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Charter School's proportionate share of the Net Pension Liability	\$ 3,263,814	\$ 2,713,655	\$ 2,256,066

Fiscal Year Ended June 30, 2013			
	1% Decrease (3.95%)	Current Discount Rate (4.95%)	1% Increase (5.95%)
Charter School's proportionate share of the Net Pension Liability	\$ 3,499,870	\$ 2,913,262	\$ 2,429,224

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE IV: PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position – TPAF**

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

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

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

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

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

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

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2015. There were no employee contributions to DCRP for the fiscal year ended June 30, 2015.

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE V: POST-RETIREMENT MEDICAL 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 prefunding 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.

The school contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf).

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE VI: RISK MANAGEMENT**

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

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of school Charter Schools established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school Charter Schools in order to keep local property taxes at a minimum. The Charter School pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**NOTE VII: DETAILED DISCLOSURE REGARDING FUND EQUITY**

General Fund

Of the \$94,349 General Fund balance at June 30, 2015, \$94,349 is unassigned.

**NOTE VIII: SUBSEQUENT EVENTS**

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE IX: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

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

Net Position at June 30, 2014	\$	63,838
Adjustments:		
Net Pension Liability		(540,020)
Deferred Outflow - Payments Subsequent to Measurement Date		<u>21,260</u>
Total Adjustments		<u>(518,760)</u>
Restated Net Position (Deficit) June 30, 2014	\$	<u><u>(454,922)</u></u>

Other than employer contributions subsequent to the measurement date, the Charter School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.



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

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
"Local Levy" Local Share - Charter School Aid	\$ 113,563	\$ -	\$ 113,563	\$ 116,464	\$ 2,901
<b>Total Local Sources</b>	<b>113,563</b>	<b>-</b>	<b>113,563</b>	<b>116,464</b>	<b>2,901</b>
Categorical Aid:					
"Local Levy" State Share - Charter School Aid	1,078,328		1,078,328	1,105,871	27,543
Special Education	4,384		4,384	17,452	13,068
Security Aid	37,601		37,601	37,212	(389)
<b>Total Categorical Aid</b>	<b>1,120,313</b>	<b>-</b>	<b>1,120,313</b>	<b>1,160,535</b>	<b>40,222</b>
Revenues From Other Sources:					
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				48,597	48,597
Reimbursed TPAF Pension Aid (Non-Budgeted)				78,818	78,818
Miscellaneous Revenue				1,068	1,068
<b>Total Revenues From Other Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,483</b>	<b>128,483</b>
<b>Total Revenues</b>	<b>1,233,876</b>	<b>-</b>	<b>1,233,876</b>	<b>1,405,482</b>	<b>171,606</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	504,363	7,463	511,826	511,826	
Purchased Prof/Tech Services	52,600	492	53,092	35,691	17,401
Other Purchased Services	24,000		24,000	21,050	2,950
General Supplies	30,000	(926)	29,074	24,822	4,252
Textbooks	5,000		5,000	1,915	3,085
Miscellaneous	1,000	434	1,434	1,434	-
<b>Total Instruction</b>	<b>616,963</b>	<b>7,463</b>	<b>624,426</b>	<b>596,738</b>	<b>27,688</b>
Administration:					
Salaries - General Administration	185,000	1,000	186,000	186,000	
Salaries of Secretarial/Clerical Assistants	29,731		29,731	27,997	1,734
Total Benefits Cost	179,355	(16,249)	163,106	143,134	19,972
Purchases Prof/Tech Services	40,600	6,955	47,555	36,866	10,689
Other Purchased Services		59	59	59	
Communications/Telephone	3,000	4,660	7,660	6,461	1,199
Supplies and Materials	2,000		2,000	1,862	138
Miscellaneous Expenses	12,000	(600)	11,400	9,977	1,423
<b>Total Administration</b>	<b>451,686</b>	<b>(4,175)</b>	<b>447,511</b>	<b>412,356</b>	<b>35,155</b>

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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	86,318		86,318	86,318	
Purchased Prof/Tech Services	27,450	(4,430)	23,020	22,838	182
Rental of Land and Buildings	82,842	6	82,848	82,848	
Other Purchased Services	33,450	1,034	34,484	25,901	8,583
Insurance for Property, Liability and Fidelity	10,000	247	10,247	8,363	1,884
Supplies and Materials	1,700		1,700	1,698	2
Energy Costs (Heat and Electricity)	10,800		10,800	10,496	304
Miscellaneous Expenses	200	(145)	55		55
Total Support Services	<u>252,760</u>	<u>(3,288)</u>	<u>249,472</u>	<u>238,462</u>	<u>11,010</u>
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				48,597	(48,597)
Reimbursed TPAF Pension Contributions (Non-Budgeted)				<u>78,818</u>	<u>(78,818)</u>
Total Expenditures	<u>1,321,409</u>	<u>-</u>	<u>1,321,409</u>	<u>1,374,971</u>	<u>(53,562)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(87,533)		(87,533)	30,511	118,044
FUND BALANCE, JULY 1	<u>63,838</u>		<u>63,838</u>	<u>63,838</u>	
FUND BALANCE, JUNE 30	<u>\$ (23,695)</u>	<u>\$ -</u>	<u>\$ (23,695)</u>	<u>\$ 94,349</u>	<u>\$ 118,044</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	<u>\$ (23,695)</u>	<u>\$ -</u>	<u>(23,695)</u>	<u>\$ 94,349</u>	<u>\$ 118,044</u>
Total	<u>\$ (23,695)</u>	<u>\$ -</u>	<u>\$ (23,695)</u>	<u>\$ 94,349</u>	<u>\$ 118,044</u>

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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Federal	\$ 107,263	\$ -	\$ 107,263	\$ 107,263	\$ -
Total Revenues	107,263	-	107,263	107,263	-
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	60,997		60,997	60,997	-
Total Instruction	60,997	-	60,997	60,997	-
Support Services:					
Personal Services - Employee Benefits	10,794		10,794	10,794	-
Purchased Prof/Ed Services	31,305		31,305	31,305	-
Purchased Professional Services	3,134		3,134	3,134	-
Other Purchased Services	738		738	738	-
Supplies and Materials	295		295	295	-
Total Support Services	46,266	-	46,266	46,266	-
Total Expenditures	107,263	-	107,263	107,263	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II***

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Budgetary Comparison Schedule  
 Budget-To-GAAP Reconciliation  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2015

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 1,405,482	[C-2] \$ 107,263
Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	_____	_____
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>1,405,482</u>	[B-2] \$ <u>107,263</u>
<b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 1,374,971	[C-2] \$ 107,263
Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>1,374,971</u>	[B-2] \$ <u>107,263</u>

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



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

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

	Fiscal Year Ending June 30,	
	2014	2015
Charter School's proportion of the net pension liability	0.00282556%	0.002506715%
Charter School's proportionate share of the net pension liability	\$ 540,020	\$ 469,326
Charter School's covered employees payroll	\$ 182,516	\$ 190,272
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	296%	247%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST TWO FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
Contractually required contribution	\$ 21,290	\$ 20,665
Contributions in relation to the contractually required contribution	<u>(21,872)</u>	<u>(21,260)</u>
Contribution deficiency/(excess)	<u>\$ (582)</u>	<u>\$ (595)</u>
Charter School's covered employee payroll	\$ 182,516	\$ 190,272
Contributions as a percentage of covered employee payroll	11.66%	10.86%

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

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

	Fiscal Year Ending June 30,	
	2014	2015
State's proportion of the net pension liability attributable of the Charter School	0.0057538%	0.00504274%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 2,898,848	\$ 2,695,182
CS / District's covered employees payroll	\$ 631,246	\$ 664,291
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	459.23%	405.72%
Plan fiduciary net position as a p ercentage of the total pension liability	33.76%	33.64%

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

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

	<i>Fiscal year</i> Ending June 30, <u>2015</u>
Contractually required contribution	\$ 21,421
Contributions in relation to the contractually required contribution	<u>(17,395)</u>
Contribution deficiency/(excess)	<u>\$ 4,026</u>
Charter School's covered employee payroll	\$ 664,291
Contributions as a percentage of covered employee payroll	3.22%

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

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III***

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

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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

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

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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



***OTHER SUPPLEMENTARY INFORMATION***

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**

E-1

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2015

	<u>Title I</u>	<u>I.D.E.A. Part B</u>	<u>Title II Part A</u>	<u>Grand Total</u>
<b>REVENUE SOURCES:</b>				
Federal	\$ 71,791	\$ 31,305	\$ 4,167	\$ 107,263
<b>Total Revenues</b>	<u>71,791</u>	<u>31,305</u>	<u>4,167</u>	<u>107,263</u>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of Teachers	60,997			60,997
<b>Total Instruction</b>	<u>60,997</u>	<u>-</u>	<u>-</u>	<u>60,997</u>
Support Services:				
Personal Services - Employee Benefits	10,794			10,794
Purchased Prof/Ed Services		31,305		31,305
Other Purchased Prof/Tech Services			3,134	3,134
Other Purchased Services			738	738
Supplies and Materials			295	295
<b>Total Support Services</b>	<u>10,794</u>	<u>31,305</u>	<u>4,167</u>	<u>46,266</u>
<b>Total Expenditures</b>	<u>71,791</u>	<u>31,305</u>	<u>4,167</u>	<u>107,263</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

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

*Food Services Fund – This fund provides for the operation of food services in all schools within the school district.*

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

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENT**

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

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

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

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2015

	Agency Fund		Total Agency Fund
	Payroll Agency	Payroll Account	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 25,307	\$ -	\$ 25,307
<b>Total Assets</b>	<u>\$ 25,307</u>	<u>\$ -</u>	<u>\$ 25,307</u>
<b>LIABILITIES:</b>			
Liabilities:			
Payroll Deductions and Withholding Payable	\$ 25,307	\$ -	\$ 25,307
<b>Total Liabilities</b>	<u>\$ 25,307</u>	<u>\$ -</u>	<u>\$ 25,307</u>

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Fiduciary Funds  
 Payroll Agency Funds  
 Schedule of Receipts and Disbursements  
 June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	<u>\$ 25,490</u>	<u>\$ 414,378</u>	<u>\$ 414,561</u>	<u>\$ 25,307</u>
Total Assets	<u><u>\$ 25,490</u></u>	<u><u>\$ 414,378</u></u>	<u><u>\$ 414,561</u></u>	<u><u>\$ 25,307</u></u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	<u>\$ 25,490</u>	<u>\$ 414,378</u>	<u>\$ 414,561</u>	<u>\$ 25,307</u>
Total Liabilities	<u><u>\$ 25,490</u></u>	<u><u>\$ 414,378</u></u>	<u><u>\$ 414,561</u></u>	<u><u>\$ 25,307</u></u>

**STATISTICAL SECTION  
(UNAUDITED)**

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



**Contents**

**Financial Trends**

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

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

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

***FINANCIAL TRENDS***

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Net Position by Component  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities</b>										
Capital Investments and Assets/ Invested in capital assets, net of related debt	\$ -	\$ -	\$ 13,750	\$ 15,000	\$ 15,000	\$ 16,250	\$ 19,200	\$ 23,852	\$ 28,504	\$ 33,156
Restricted			-	-	1,685	-	197,010		8,500	8,100
Unrestricted	(439,078)	63,838	89,833	51,058	200,975	381,968	202,740	248,902	248,734	162,113
<b>Total Governmental Activities Net Assets/Position</b>	<b>\$ (439,078)</b>	<b>\$ 63,838</b>	<b>\$ 103,583</b>	<b>\$ 66,058</b>	<b>\$ 217,660</b>	<b>\$ 398,218</b>	<b>\$ 418,950</b>	<b>\$ 272,754</b>	<b>\$ 285,738</b>	<b>\$ 203,369</b>
<b>Business-Type Activities</b>										
Capital Investments and Assets/ Invested in Capital Assets	\$ 4,716	\$ 4,716	\$ 4,716	\$ 4,716	\$ 2,358	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,942	806	8,482	4,184	6,631	9,896	9,714	(811)	4,148	4,644
<b>Total Business-Type Activities Net Assets/Position</b>	<b>\$ 8,658</b>	<b>\$ 5,522</b>	<b>\$ 13,198</b>	<b>\$ 8,900</b>	<b>\$ 8,989</b>	<b>\$ 9,896</b>	<b>\$ 9,714</b>	<b>\$ (811)</b>	<b>\$ 4,148</b>	<b>\$ 4,644</b>
<b>Charter School-wide</b>										
Capital Investments and Assets/ Invested in capital assets, net of related debt	\$ 4,716	\$ 4,716	\$ 18,466	\$ 19,716	\$ 17,358	\$ 16,250	\$ 19,200	\$ 23,852	\$ 28,504	\$ 33,156
Restricted					1,685	-	197,010		8,500	8,100
Unrestricted	(435,136)	64,644	98,315	55,242	207,606	391,864	212,454	248,091	252,882	166,757
<b>Total Charter School Net Position</b>	<b>\$ (430,420)</b>	<b>\$ 69,360</b>	<b>\$ 116,781</b>	<b>\$ 74,958</b>	<b>\$ 226,649</b>	<b>\$ 408,114</b>	<b>\$ 428,664</b>	<b>\$ 271,943</b>	<b>\$ 289,886</b>	<b>\$ 208,013</b>

**Source: Comprehensive Annual Financial Report**

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Changes in Net Position  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 814,923	\$ 843,871	\$ 845,526	\$ 866,534	\$ 941,557	\$ 884,087	\$ 707,770	\$ 693,191	\$ 561,028	\$ 580,669
Administration	370,736	327,799	340,819	436,774	308,333	278,991	260,016	238,888	220,527	240,734
Support Services	311,242	307,589	277,277	386,433	381,092	331,103	308,735	257,249	261,319	229,475
Capital Outlay				16,563			26,000		(8,495)	(188,515)
Unallocated			1,250	1,250	1,250	1,250	2,953	2,953	2,953	2,953
Renovation Grant Repayment									188,494	
Total Governmental Activities Expenses	<u>1,496,901</u>	<u>1,479,259</u>	<u>1,464,872</u>	<u>1,707,554</u>	<u>1,632,232</u>	<u>1,495,431</u>	<u>1,305,474</u>	<u>1,192,281</u>	<u>1,225,826</u>	<u>865,316</u>
Business-Type Activities:										
Food Service and Before & After School Care	52,023	61,709	44,703	47,004	50,270	45,121	41,172	65,112	59,649	55,012
Total Business-Type Activities Expenses	<u>52,023</u>	<u>61,709</u>	<u>44,703</u>	<u>47,004</u>	<u>50,270</u>	<u>45,121</u>	<u>41,172</u>	<u>65,112</u>	<u>59,649</u>	<u>55,012</u>
Total Charter School Expenses	<u>\$ 1,548,924</u>	<u>\$ 1,540,968</u>	<u>\$ 1,509,575</u>	<u>\$ 1,754,558</u>	<u>\$ 1,682,502</u>	<u>\$ 1,540,552</u>	<u>\$ 1,346,646</u>	<u>\$ 1,257,393</u>	<u>\$ 1,285,475</u>	<u>\$ 920,328</u>
<b>Program Revenues</b>										
Governmental Activities:										
Operating Grants and Contributions	17,452	4,384	4,216	15,552	26,500	34,053	55,710	22,820	50,525	52,369
Total Governmental Activities Expenses	<u>17,452</u>	<u>4,384</u>	<u>4,216</u>	<u>15,552</u>	<u>26,500</u>	<u>34,053</u>	<u>55,710</u>	<u>22,820</u>	<u>50,525</u>	<u>52,369</u>
Business-Type Activities:										
Charges for Services	3,447	3,311	2,799	2,837	2,283	3,410	2,933	4,193	3,229	2,566
Operating Grants and Contributions	51,712	50,722	46,202	44,078	47,080	34,893	39,915	46,031	38,924	36,807
Total Business-Type Activities Expenses	<u>55,159</u>	<u>54,033</u>	<u>49,001</u>	<u>46,915</u>	<u>49,363</u>	<u>38,303</u>	<u>42,848</u>	<u>50,224</u>	<u>42,153</u>	<u>39,373</u>
Total Charter School Program Revenues	<u>\$ 72,611</u>	<u>\$ 58,417</u>	<u>\$ 53,217</u>	<u>\$ 62,467</u>	<u>\$ 75,863</u>	<u>\$ 72,356</u>	<u>\$ 98,558</u>	<u>\$ 73,044</u>	<u>\$ 92,678</u>	<u>\$ 91,742</u>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (1,479,449)	\$ (1,474,875)	\$ (1,460,656)	\$ (1,692,002)	\$ (1,605,732)	\$ (1,461,378)	\$ (1,249,764)	\$ (1,169,461)	\$ (1,175,301)	\$ (812,947)
Business-Type Activities	3,136	(7,676)	4,298	(89)	(907)	(6,818)	1,676	(14,888)	(17,496)	(15,639)
Total Charter School-wide Net Expense	<u>\$ (1,476,313)</u>	<u>\$ (1,482,551)</u>	<u>\$ (1,456,358)</u>	<u>\$ (1,692,091)</u>	<u>\$ (1,606,639)</u>	<u>\$ (1,468,196)</u>	<u>\$ (1,248,088)</u>	<u>\$ (1,184,349)</u>	<u>\$ (1,192,797)</u>	<u>\$ (828,586)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
General Purposes	\$ 116,464	\$ 114,047	\$ 111,933	\$ 116,865	\$ 113,870	\$ 114,585	\$ 121,852	\$ 118,660	\$ 130,848	\$ 143,405
Capital Projects										
Federal and State Aid Not Restricted	1,377,761	1,317,362	1,350,806	1,392,695	1,301,299	1,330,059	1,258,926	999,207	915,626	893,129
Investment Earnings					2		1,195	11,679	20,213	
Miscellaneous Income	1,068	3,721	35,442	30,840	10,003	3,002	341	23,577	12,984	22,380
Transfers						(7,000)				
Total Governmental Activities	<u>1,495,293</u>	<u>1,435,130</u>	<u>1,498,181</u>	<u>1,540,400</u>	<u>1,425,174</u>	<u>1,440,646</u>	<u>1,382,314</u>	<u>1,153,123</u>	<u>1,079,671</u>	<u>1,058,914</u>
Business-Type Activities:										
Miscellaneous Income						7,000	9,929	17,000	15,000	7,000
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>9,929</u>	<u>17,000</u>	<u>15,000</u>	<u>7,000</u>
Total Charter School-wide	<u>\$ 1,495,293</u>	<u>\$ 1,435,130</u>	<u>\$ 1,498,181</u>	<u>\$ 1,540,400</u>	<u>\$ 1,425,174</u>	<u>\$ 1,447,646</u>	<u>\$ 1,392,243</u>	<u>\$ 1,170,123</u>	<u>\$ 1,094,671</u>	<u>\$ 1,065,914</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 15,844	\$ (39,745)	\$ 37,525	\$ (151,602)	\$ (180,558)	\$ (20,732)	\$ 132,550	\$ (16,338)	\$ (95,630)	\$ 245,967
Business-Type Activities	3,136	(7,676)	4,298	(89)	(907)	182	11,605	2,112	(2,496)	(8,639)
Total Charter School	<u>\$ 18,980</u>	<u>\$ (47,421)</u>	<u>\$ 41,823</u>	<u>\$ (151,691)</u>	<u>\$ (181,465)</u>	<u>\$ (20,550)</u>	<u>\$ 144,155</u>	<u>\$ (14,226)</u>	<u>\$ (98,126)</u>	<u>\$ 237,328</u>

Source: Comprehensive Annual Financial Report

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

	Fiscal Year Ending June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 1,685	\$ -	\$ -	\$ -	\$ 8,500	\$ 8,100
Unassigned	94,349	63,838	91,083	52,308	200,975	381,968	399,750	248,902	248,734	359,123
Total General Fund	<u>\$ 94,349</u>	<u>\$ 63,838</u>	<u>\$ 91,083</u>	<u>\$ 52,308</u>	<u>\$ 202,660</u>	<u>\$ 381,968</u>	<u>\$ 399,750</u>	<u>\$ 248,902</u>	<u>\$ 257,234</u>	<u>\$ 367,223</u>

**Source: Comprehensive Annual Financial Report**

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

Fiscal Year Ending June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
Local Sources:										
Local Tax Levy	\$ 116,464	\$ 114,047	\$ 111,933	\$ 116,865	\$ 113,870	\$ 114,585	\$ 121,852	\$ 118,660	\$ 130,848	\$ 143,405
Interest In Investments					2		1,195	11,679	20,213	
Miscellaneous	1,068	3,721	35,442	30,840	10,003	3,002	341	23,577	12,984	22,380
State Sources	1,287,950	1,218,417	1,224,264	1,260,201	1,259,986	1,187,456	1,164,285	880,977	839,685	770,293
Federal Sources	107,263	103,329	130,758	132,195	66,999	176,656	151,165	141,050	126,466	175,205
Total Revenues	<u>1,512,745</u>	<u>1,439,514</u>	<u>1,502,397</u>	<u>1,540,101</u>	<u>1,450,860</u>	<u>1,481,699</u>	<u>1,438,838</u>	<u>1,175,943</u>	<u>1,130,196</u>	<u>1,111,283</u>
<b>Expenditures:</b>										
Instruction	657,735	665,458	678,749	678,940	761,620	745,215	598,310	584,717	482,838	494,595
Administration	539,771	521,592	538,609	634,720	511,227	434,024	383,126	346,902	316,434	284,646
Support Services	284,728	279,709	246,264	360,230	357,321	320,242	280,554	252,656	243,903	275,413
Capital Outlay				16,563			26,000			8,495
Total Expenditures	<u>1,482,234</u>	<u>1,466,759</u>	<u>1,463,622</u>	<u>1,690,453</u>	<u>1,630,168</u>	<u>1,499,481</u>	<u>1,287,990</u>	<u>1,184,275</u>	<u>1,043,175</u>	<u>1,063,149</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,511</u>	<u>(27,245)</u>	<u>38,775</u>	<u>(150,352)</u>	<u>(179,308)</u>	<u>(17,782)</u>	<u>150,848</u>	<u>(8,332)</u>	<u>87,021</u>	<u>48,134</u>
Net Change in Fund Balance	<u>\$ 30,511</u>	<u>\$ (27,245)</u>	<u>\$ 38,775</u>	<u>\$ (150,352)</u>	<u>\$ (179,308)</u>	<u>\$ (17,782)</u>	<u>\$ 150,848</u>	<u>\$ (8,332)</u>	<u>\$ 87,021</u>	<u>\$ 48,134</u>

Source: Comprehensive Annual Financial Report

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

Fiscal Year Ending June 30,	Interest	Miscellaneous Revenue	Total
2015	\$ -	\$ 1,068	\$ 1,068
2014		3,721	3,721
2013		35,442	35,442
2012		30,840	30,840
2011	2	10,003	10,005
2010		3,002	3,002
2009	1,195	341	1,536
2008	11,679	23,577	35,256
2007	20,213	12,984	33,197
2006		22,380	22,380

***OPERATING INFORMATION***



**INTERNATIONAL CHARTER SCHOOL OF TRENTON**

Operating Statistics  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2015	90.0	\$ 1,374,971	\$ 15,277	0.85%	N/A	N/A	90.0	86.3	0.09%	95.91%
2014	90.0	1,363,430	15,149	2.29%	N/A	N/A	89.9	86.7	0.00%	96.44%
2013	90.0	1,332,864	14,810	-14.46%	N/A	N/A	89.9	86.7	0.56%	96.44%
2012	90.0	1,558,258	17,314	-1.30%	N/A	N/A	89.4	85.8	0.45%	95.97%
2011	89.0	1,561,230	17,542	19.35%	N/A	N/A	89.0	88.0	-1.11%	98.88%
2010	90.0	1,322,825	14,698	17.76%	N/A	N/A	90.0	88.0	1.12%	97.78%
2009	89.0	1,110,825	12,481	5.28%	N/A	N/A	89.0	84.8	1.14%	95.28%
2008	88.0	1,043,225	11,855	13.80%	N/A	N/A	88.0	84.8	0.00%	96.36%
2007	88.0	916,709	10,417	1.95%	N/A	N/A	88.0	84.8	1.27%	96.36%
2006	86.9	887,944	10,218	3.13%	N/A	N/A	86.9	83.2	0.00%	95.74%

**Sources:** Charter School records

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

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

**International Charter School of Trenton**  
 Insurance Schedule  
 June 30, 2015  
 (Unaudited)

<b>COVERAGE</b>	<b>LIMITS</b>	<b>SUMMARY</b>
<b>Package</b>	Covered Location	105 Grand Street, Trenton, NJ 08618
NJSBAIG		
P-836		
09/16/14-15		
\$5,859		
<b>Property</b>	\$145,000	Business Personal Property w/ \$1,000 Deductible
	\$125,000	Business Income/Tuition w/ \$1,000 Deductible
	\$145,000	Electronic Data Processing w/ \$1,000 Deductible
<b>Crime</b>	\$25,000	Faithful Performance w/ \$500 Deductible
	\$25,000	Forgery & Alteration w/ \$500 Deductible
	\$5,000	Money & Securities w/ \$500 Deductible
	\$5,000	Money Orders/Counterfeit w/ \$500 Deductible
	\$118,000	Board Treasurer w/ \$1,000 Deductible
	\$118,000	Board Secretary/BA w/ \$1,000 Deductible
<b>General Liability</b>	\$5,000,000	Single Limit for Bodily Injury and Property Damage
	\$5,000,000	Products/Completed Operations Aggregate
	\$3,000,000	Annual Aggregate for Child Molestation/Sexual Abuse
	\$5,000,000	Each Occurrence for Personal Injury/Advertising Injury
	\$5,000,000	Each Claim for Employee Benefits Liability
	\$1,000	Premise Medical Payments Per Person w/ \$100 Deductible
<b>Automobile Liability</b>	\$5,000,000	Hired/Non Owned Automobile Limit
<b>Student Accident</b>	\$1,000,000	Accidental Medical Excess Benefit (Gold Plan)
Markel Insurance Company	\$10,000	AD&D
9/16/14-15		
\$694		
<b>School Leaders E&amp;O</b>	\$1,000,000	Coverage A Each Loss w/ \$5,000 Deductible
NJSBAIG	\$100,000	Coverage B Each Loss w/ \$5,000 Deductible
E-836	\$300,000	Coverage B Annual Aggregate
09/16/14-15		
\$3,889		
<b>Workers' Compensation</b>	\$1,000,000	Each Accident
NJSBAIG	\$1,000,000	Each Employee
W-836	\$1,000,000	Policy Limit
09/16/14-15		
\$17,385		
\$777,362 School Professional		
\$55,824 School Non-Professional		
0.8706 MOD		
<b>Supplemental Indemnity</b>		
NJSBAIG	Statutory	7-Day Waiting Period
64775774		
09/16/14-15		
\$500		

Source: Charter School's Records

**INTERNATIONAL CHARTER SCHOOL OF TRENTON**  
 Charter School Performance Framework Financial Indicators  
 Near Term Indicators  
 Last Three Fiscal Years

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	\$ 81,324	\$ 66,709	\$ 71,580	Audit: Exhibit A-1
Current Assets	178,691	133,919	124,830	Audit: Exhibit A-1
Total Assets	178,691	133,919	124,830	Audit: Exhibit A-1
Current Liabilities	61,910	64,559	21,823	Audit: Exhibit A-1
Total Liabilities	61,910	64,559	491,149	Audit: Exhibit A-1
Net Assets	116,781	69,360	(430,420)	Audit: Exhibit A-1
Total Revenue	1,551,398	1,493,547	1,567,904	Audit: Exhibit A-2
Total Expenses	1,509,575	1,540,968	1,548,924	Audit: Exhibit A-2
Change in Net Assets	41,823	(47,421)	18,980	Audit: Exhibit A-2
Depreciation Expense	1,250	-	-	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	89.90	89.97	89.98	DOE Enrollment Reports
March 30th Budgeted Enrollment	90.00	90.00	90.00	Charter School Budget

RATIOS ANALYSIS...					
Near Term Indicators	2013	2014	2015	3 YR CUM	Source:
1a. Current Ratio	2.89	2.07	5.72		Current Assets/Current Liabilities
1b. Unrestricted Days Cash	19.66	15.80	16.87		Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	100%		Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A		Audit

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

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

***SINGLE AUDIT SECTION***

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

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

Honorable President and  
Members of the Board of Trustees  
International Charter School of Trenton  
County of Mercer  
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of International Charter School of Trenton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements as listed in the Table of Contents, and have issued our report thereon dated December 14, 2015.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that

there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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



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

December 14, 2015

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

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

Honorable President and  
Members of the Board of Trustees  
International Charter School of Trenton  
County of Mercer  
Trenton, New Jersey

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

We have audited the International Charter School of Trenton’s compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015. The International Charter School of Trenton’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

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

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

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

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

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

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

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



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

***Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the International Charter School of Trenton, as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated December 14, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Purpose of This Report**

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



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

December 14, 2015

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2014	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2015 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education</b>														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A														
Title I Part A Carryover														
Title I Carryover														
Title II Part A														
Total No Child Left Behind Cluster														
Individuals with Disabilities Cluster:														
I.D.E.A. Part B Basic														
I.D.E.A. Part B Basic Carryover														
Total Individuals with Disabilities Cluster														
Total Special Revenue Fund														
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Agriculture</b>														
Enterprise Fund:														
School Breakfast Program														
School Breakfast Program														
National School Lunch Program														
National School Lunch Program														
Total Enterprise Fund														
Total Federal Financial Awards														

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

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

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2014		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2015		MEMO	
			From	To	Deferred Revenues (Accounts Receivable)	Due to Grantor					Deferred Revenues (Accounts Receivable)	Due to Grantor		Budgetary Receivable
<b>State Department of Education</b>														
General Fund:														
Local Levy State Share - Charter School Aid	15-495-034-5120-071	\$ 1,105,871	7/1/14	6/30/15	\$ -	\$ -	\$ 1,105,871	\$ (1,105,871)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,105,871
Special Education Aid	15-495-034-5120-089	17,452	7/1/14	6/30/15			17,452	(17,452)						17,452
Security Aid	15-495-034-5120-084	37,212	7/1/14	6/30/15			37,212	(37,212)						37,212
TPAF Post-Retirement Medical Contributions	15-495-034-5095-001	48,357	7/1/14	6/30/15			48,357	(48,357)						48,357
On-Behalf TPAF Pension Contributions	15-495-034-5095-006	30,461	7/1/14	6/30/15			30,461	(30,461)						30,461
Reimburse TPAF - Social Security	15-495-034-5095-002	48,597	7/1/14	6/30/15			48,597	(48,597)						48,597
<b>Total General Fund</b>							<b>1,287,950</b>	<b>(1,287,950)</b>						<b>1,287,950</b>
<b>State Department of Agriculture</b>														
Enterprise Fund:														
National School Lunch Program (State Share)	15-100-010-3350-023	759	7/1/14	6/30/15	(55)		623	(759)		(136)			136	759
National School Lunch Program (State Share)	14-100-010-3350-023	764	7/1/13	6/30/14			55							
<b>Total Enterprise Fund</b>							<b>678</b>	<b>(759)</b>		<b>(136)</b>			<b>136</b>	<b>759</b>
<b>Total All Funds</b>							<b>\$ 1,288,628</b>	<b>\$ (1,288,709)</b>		<b>\$ (136)</b>			<b>\$ 136</b>	<b>\$ 1,288,709</b>
Slate Financial Assistance Not Subject to Major Program Determination:														
General Funds:														
TPAF Post-Retirement Medical Contributions	15-495-034-5095-001	48,357	7/1/14	6/30/15			48,357	(48,357)						48,357
On-Behalf TPAF Pension Contributions	15-495-034-5095-006	30,461	7/1/14	6/30/15			30,461	(30,461)						30,461
							<b>\$ 78,818</b>	<b>\$ (78,818)</b>						<b>\$ 78,818</b>
<b>Total State Financial Assistance Subject to Single Audit</b>							<b>\$ 1,209,810</b>	<b>\$ (1,209,891)</b>		<b>\$ (136)</b>			<b>\$ 136</b>	<b>\$ 1,209,891</b>

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

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

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

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

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

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

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

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	1,287,950	\$ 1,287,950
Special Revenue Fund	107,263	-	107,263
Food Service Fund	50,953	759	51,712
Total Awards & Financial Assistance	<u>\$ 158,216</u>	<u>\$ 1,288,709</u>	<u>\$ 1,446,925</u>

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

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

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

International Charter School of Trenton has no loan balances outstanding at June 30, 2015.

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

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**NOTE 6. OTHER**

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

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

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

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

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

Program	<u>Total</u>
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 71,791
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>4,167</u>
Total	<u>\$ 75,958</u>

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

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

**Financial Statements**

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

**State Awards**

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

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
<u>15-495-034-5120-071</u>	<u>Local Levy – State Share</u>
_____	_____
_____	_____
_____	_____

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

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

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



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

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

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

**STATE AWARDS**

**Findings**

There were no matters reported.

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

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**STATUS OF PRIOR-YEAR FINDINGS**

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

**Findings**

There were no matters reported.