

***PATERSON CHARTER SCHOOL FOR
SCIENCE AND TECHNOLOGY***

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2015

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Prepared by
Paterson Charter School for Science and Technology
Business Office**

**And
Barre & Company, CPAs**

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INTRODUCTORY SECTION



December 5, 2015

The Honorable President and
Members of the Board of Trustees
Paterson Charter School for Science and Technology
County of Passaic
Paterson, New Jersey

Dear Board Members and Constituents:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Paterson Charter School for Science and Technology (Charter) for the fiscal year ended June 30, 2015. This CAFR includes the Charter's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. This transmittal letter is designed to be read in conjunction with the Management Discussion and Analysis, which begins on page 19.

The Charter School has elected to adopt this 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 Paterson Charter School for Science and Technology 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 Principle Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section – the Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 4-04, “*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.

PCSST Executive Summary

The founding committee for Paterson Charter School for Science & Technology (PCSST) was granted its initial charter in 2001. Due to challenges locating a suitable facility, PCSST took a planning year, and opened its doors with 12 teachers and 147 students in grades six through eight in the fall of 2003. Initially, and during its first two years of operation, PCSST was located at 5-7 Mill Street in Paterson. The Mill Street location was an old and narrow, four-story 11,000 square-foot silk factory, and not an ideal facility for a school. The building’s space constraints prevented the school from offering students a gym or lunchroom, and provided little to no opportunity for grade level expansion or student population growth.

PCSST moved to a 68,000 square-foot building located at 276 Wabash Avenue in the fall of 2005. At that time, the school served students in grades 6-10 with a faculty and staff of 52. The Wabash Avenue location was originally a warehouse, converted in to a school by the landlord. The increased space enabled PCSST to serve up to 588 students in grades 6-12 residing in Paterson.

PCSST received its first renewal charter 2007. Soon thereafter, and at the request of Paterson community stakeholders, the PCSST Board of Trustees submitted an amended proposal to the NJ Department of Education in October 2008 to offer elementary education. PCSST was granted approval from the Department of Education to add grades K-5 in 2009. The following year, PCSST welcomed 180 students in grades two through five at 765 14th Avenue, the site of a former elementary school building in Paterson. At the start of the 2011-2012 academic year, the PCSST elementary campus moved to the Wabash Avenue campus, adding kindergarten and first grades, and the high school moved to a former high school building located at 764 11th Avenue in Paterson. PCSST reached its maximum enrollment of 1,068 students: the Wabash Avenue campus serves 564 students in grades K-6, and the 11th Avenue campus serves 504 students in grades 7-12. This expansion allowed PCSST to build upon its model to empower all students – through a standards/equity-based program and high expectations – to reach high levels of achievement.

Finally, Grades 7-12 campus moved to an 87,200 square-foot building located at 196 West Railway Avenue in the fall of 2014. The West Railway Avenue location was originally a warehouse, converted into a school by the landlord which was leased for a long-term home like Wabash Avenue building.

Since its inception, PCSST has enjoyed broad-based support from parents, students and the Paterson community at-large. As a result, the school has had to wait-list students for all but the first few years of operation. Last year, there were only 120 spaces available for new students, yet 1,200 more students were interested in attending PCSST than could be accommodated. PCSST is the only charter school in Paterson serving a secondary student population. As a result during the last four school years, PCSST has received over 1,300 applications for 100-120 available seats.

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

Paterson Charter School for Science and Technology provides a full range of educational services appropriate to Grades K – 12. 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 1,045 students. The following details the changes in the student enrollment of the Charter School over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2014-2015	1047.6	1.31%
2013-2014	1034.1	0.80%
2012-2013	1043.0	0.51%
2011-2012	1037.7	27.72%
2010-2011	750.1	-0.53%

2. ECONOMIC CONDITION AND OUTLOOK: Paterson is one of the largest cities in New Jersey. Industry and business is still expanding and the education level of Paterson is increasing every day. Paterson has an increasing education budget since it is an Abbott district.

3. MAJOR INITIATIVE: Paterson has one of the largest student populations in New Jersey yet continues to be one of the lowest performing public school districts in the state. Students at PCSST have outperformed district averages making it clear that the expansion of quality educational alternatives is much needed. PCSST operated its third charter term with its commitment to high student performance, well-structured programs, and academic, organizational and fiscal competence. The school was rated as High Performing in its peer group per The NJ School Performance Report. The school ranked for all grades as Tier I School per The Charter School Performance Report.

PCSST is committed to serving all students especially highest needs students such as special education students, English Language Learners, and students who qualify for free or reduced-price lunch as well as other at-risk populations. A number of typical programs are in place to assist students and PCSST has additional support programs to enhance the opportunities for achievement of students in these populations.

Research indicates students perform better when they have a healthy breakfast. The school day begins with a morning breakfast program to start the students' day on a healthy note. In our K-6 Campus with the school wide breakfast in the classroom program 77.8% of students participated in the breakfast program and 81.4% of students participated in lunch program. In 7-12 Campus on average 40% of students participate in the breakfast program and 80% of the students participates in the lunch program, 84% are eligible for free or reduced-price meals.

A special education program is in place for students identified as eligible through child study evaluations. IEPs are developed for each student. PCSST contracts Child Study Team services with the Passaic County Educational Services Commission. This insures that students who have IEPs will continue to receive appropriate services and the school can conduct evaluations of students who are identified as potentially have learning disabilities. The range of services provided by PCSST is based on the development of the IEP. Philosophically, and in accordance with statutes, PCSST makes every attempt to keep students in the Least Restrictive Environment. Therefore, the In Class Support program is our preferred option to serve students. Certified Special educators are teamed in co-teaching environments to support students in core subjects such as English, Math, Science and Social Studies. Other elective courses may also be supported if the IEP indicates a need. Aides are provided where OHI or Behavioral situations warrant that level of support in the classroom. For students requiring additional support the school provides Resource Replacement programs in English and Math. Speech and Language services or Occupational Therapy and Physical Therapy are also available for students based on their identified needs. In the IEP development process out of district placements are also considered based on the needs of the student. Each student has an annual review and a three year reevaluation process to insure that his/her needs are met with an appropriate educational program.

English Language learners are part of an ESL program. Based on their placement on the ACCESS ELL assessment and the WIDA standards, students participate in pull out and/or In Class support programs to develop their social and academic language proficiency from K-12th grade.

All students can participate in all academic or extracurricular programs regardless of classification or status. These include a variety of field trip opportunities for cultural enrichment such as trips to Montreal, Boston, Washington DC, or participation in the World is Our Classroom program with destinations such as England, Italy & Greece, Costa Rica or China. The College Coaching Program offers opportunities for students to visit college campuses and be exposed to the climate and culture of higher education. Each grade level or department uses day field trips to provide students with cultural or content related experiences. Academic programs are also provided. Intervention programs are provided for students experiencing academic difficulties meeting the requirements of the classroom program. Teachers provide tutoring at no cost to students. The PASS+ program is provided as a Saturday tutoring program for Language Arts, Math and Science instruction for all students as they prepare for the HSPA

or NJASK. Juniors participated in the SAT Prep Program at no cost. Juniors and seniors are granted Tuition Waivers to participate in the SAT and PSAT testing program through The College Board.

PCSST provides support for students with special needs, academic or financial.

Educational Program

Academic Performance

The educational program focuses in the elementary grades on development of the requisite language and math skills needed to be successful in academic work and career success. At the high school level students have a diverse set of course offerings to meet their needs and interests for college and career readiness. AP courses are offered in the Sciences, Mathematics, English, Social Studies, World Language, and the Arts. Graduation requirements exceed those set by the state with extra Science and Math courses required of PCSST students.

The school embeds character education in the curriculum and has an Advisory program to build relationships between students and staff while promoting college and career readiness. The Army JROTC program builds student discipline, integrity and service. PCSST also offers a full extracurricular program including 9 interscholastic sports and a variety of clubs and competition teams.

PCSST offers support to students at all grade levels. The Elementary campus has a Reading Specialist to assist primary grade students through a Reading Recover program. She offers PD to teachers at all grade levels to insure integration of the Common Core Language Arts standards across the curriculum. Both the elementary and high school utilize Title I funds to support a Basic Skills program that allows for both In-class and Pull-out instruction to support struggling and At-risk students in any grade level. High school students have an Intervention period built into the schedule to promote the philosophy the, "Failure in Not an Option." Any student failing a subject or assessment is required to work with their teacher to improve their grade. A Saturday program, PASS+ focuses on developing math and language arts skills to prepare students for the assessment of the CCSS through the PARCC. Special Education students are taught in the least restrictive environment where PCSST offers predominantly In-class support to insure that all students receive the same curriculum regardless of disabilities. English Language Learners are also offered additional assistance. Based on their Access scores PCSST has been able to bring students up to proficiency in short periods of time allowing the students to participate in their academic classes with In-class support as well. Accelerated students are engaged at PCSST in the College Career Preparation program, CCP. These students work after school and on Saturdays to advance their knowledge and skills and participate in project based learning experiences.

This year the high school completed the roll out of the one-to-one iPad program in grades 9-12. All students are given an iPad with their e-textbooks preloaded along with a variety of required apps. Teachers use Google Classroom or Edmodo to push content, create discussion groups, assess student progress, and collect assignments in a paperless environment. This technology

use continues the development of integrated use of computers and electronic devices. Every classroom is now equipped with a SmartBoard. Elementary and Middle School students have access to iPad carts or Chromebooks that teachers use for research, independent practice, and guided instruction.

The PCSST curriculum is aligned to the standards through continuous update. Using the Connected Action Roadmap philosophy PCSST Professional Learning Communities are charged with continuous update of their curriculum. Additionally, PCSST uses a 5 year cycle of review to insure that no curriculum goes out of date. Summer curriculum writing is ongoing for new courses and course requiring adoption of new standards. The entire Language Arts and Math curriculum materials were reviewed prior to implementation of the Common Core State Standards. Science is currently under review to prepare for implementation of the Next Generation Science Standards. Other areas related to the NJ Core Curriculum Content Standards have also been addressed as those standards have been modified and adopted.

PCSST uses a variety of assessment data to identify gaps in attainment of the standards. Previously, the school used NJASK and HSPA as measures of student achievement of the standards. The shift to PARCC will indicate how well teachers and their students made the shift to the CCSS. STAR assessments from Renaissance Learning and the Study Island program from Edmentum have also been used as routine benchmarking tests to track the progress of students toward achievement of the standards. This data is used to adjust the curriculum and instructional program to address gaps. Next year the secondary school will shift to a Standards Based Grading system which will clearly identify the standards assessed in each grade and track the implementation of standards in all content areas.

The K-8 school performance met Tier 1 based on Option 2. The combined Absolute Performance of students on the NJASK did not meet the target. However, PCSST met both the Comparative Performance goal exceeding the district by 18% while the Student Growth score of 57th percentile also met the standard.

Absolute performance in both LAL and Math Did Not Meet expectations. The Advanced Proficient level in LAL fell Far Below Standards but the Advanced Proficient in Math Meets the standard. School-wide LAL and Math proficiency has been on the rise for 3 consecutive years with a large increase in 2013-14. For the first time the 3rd grade and 4th grade classes tested in 2013-14 began their elementary schooling with PCSST. Growth is expected to continue as these students progress and subsequent classes come up behind them.

In comparison to the district PCSST Meets expectations by outperforming Paterson in LAL and Exceeds expectations by outperforming Paterson in Math. The disaggregated data indicates that by grade level the 3rd and 4th grades are matching or outperforming all other grades in LAL and Math. All grades from K-8 exceed their cohort in the Paterson schools. An area of concern is the slump in the performance of the 7th grade cohort. This is a transition year where students leave the Elementary campus from 6th grade and attend the high school campus in 7th grade. Transition programs are needed to avoid future declines as students change buildings. Data also indicates that those students in 8th grade rebound and perform better in both LAL and Math than they did in 7th grade. Disaggregated data also indicates PCSST exceeding the state averages for 3 of the 4 populations reported; Free/Reduced Lunch, Black and Hispanic students. Special Education LAL student performance is behind the state

average and is an area in need of improvement. In Math PCSST exceed the state average in all 4 population categories.

Mean SGP data shows all three populations, FRPL, Black and Hispanic reaching almost identical mSGPs giving the school average of 58. In math the Black population showed only a 49 mSGP while Hispanic students scored a 61 mSGP. PCSST will need to address this gap to insure that performance of these populations do not diverge.

The High School maintained its Tier 1 ranking also by Option 2. The school outperformed the district by 12%. The graduation rate remained high at 91% and the Peer ranking was the 73rd percentile, just missing the Exceeds expectation category.

Absolute performance for LAL Meets the standard but PCSST will need to raise the % of Advanced Proficient despite the 7% jump in Advanced Proficiency demonstrated already. Absolute Math proficiency was just below the Meets expectations level and while Advanced Proficiency was higher in Math than in 2012-13 it still fell short of meeting expectations.

In comparison to the district PCSST Meets expectations by outperforming Paterson in both LAL and Math. The disaggregated data indicates that PCSST is exceeding the state averaged in LAL for the Free/Reduced Lunch population, the Black population and the Hispanic population is almost equal to the state proficiency. Math proficiency in those three populations all exceeds the state averages. Despite being in an urban setting and serving urban students of various ethnic backgrounds PCSST is on a par with the entire state of NJ.

4. INTERNAL ACCOUNTING CONTROLS: Management of the Board of Trustees is responsible for establishing and maintaining an internal control structure 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). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, 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. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be appropriated 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 Financial Statement" Note 2. The Charter School has 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 deposits 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. 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, CPA's, was appointed by the Board. 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-Profits Organizations*" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of the report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

8. 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. PCSST has hired a district level HIB coordinator on September 1, 2011. Building level HIB specialists are also assigned per building received adequate training. In 2014-2015, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

9. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Paterson Charter School for Science and Technology 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,



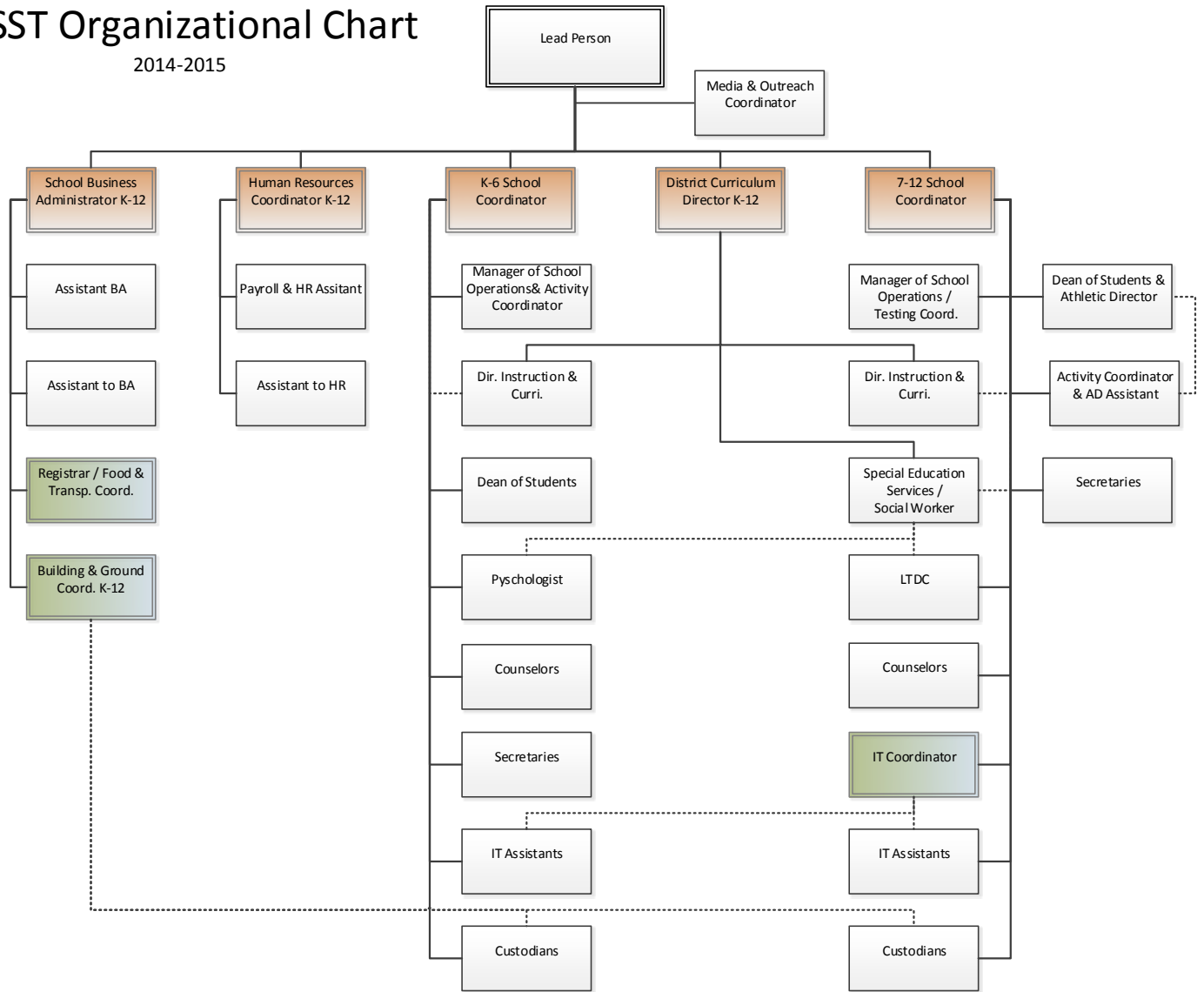
A. Riza Gurcanli
Lead Person



Irfan Evcil
Business Administrator/Board Secretary

PCSST Organizational Chart

2014-2015



**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2015**

Members of the Board of Trustees

Position

Kemal Aydin	President
Carol Burt-Miller	Vice President
Erdem Alpay	Member
Ayhan Koroglu	Member
Suzette McDuffie	Member
Erkan Yildiz	Member

Other Officials

A. Riza Gurcanli	Lead Person
Halil Demir	Elementary School Coordinator
Joseph Miceli	Director of Instruction
Irfan Evcil	Business Administrator/ Board Secretary
Christopher M. Lessard	Treasurer

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

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2204 Morris Avenue, Suite 206
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Attorney

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Independent Auditor’s Report

The Honorable President and
Members of the Board of Trustees
Paterson Charter School for Science and Technology
County of Passaic
Paterson, 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 Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division 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 basic 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 Paterson Charter School for Science and Technology, in the County of Passaic, 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 4 to the basic financial statements, the Charter School implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 9 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 20 and 86, 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 5, 2015 on our consideration of the Paterson Charter School for Science and Technology's internal control over financial reporting and our tests of its compliance

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



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

December 5, 2015

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

The discussion and analysis of Paterson Charter School for Science and Technology'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 \$16,684,132 in revenues or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$258,791 or 2% percent of total revenues of \$16,942,923.
- ❖ The Charter School had \$16,103,419 in expenses; only \$258,791 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,684,132 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$16,045,930 in revenues and \$17,935,511 in expenditures. The General Fund's fund balance decreased \$1,889,581 over 2014. This decrease was anticipated by the Board of Trustees.
- ❖ During 2015, the Charter School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Paterson Charter School for Science and Technology 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 Paterson Charter School for Science and Technology, the General Fund is by far the most significant fund.

Government-Wide Financial Statements

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* answers 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 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 distinct 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 Activities** — These services are 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 transaction. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

Proprietary Funds

When the Charter School charges customers for the full cost of the services it provides, these services are reported in the proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Charter School's enterprise fund (a component of business-type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. **The Charter School as Trustee**

Reporting the Charter School's Fiduciary Responsibilities

The Charter School is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the Charter School's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the Charter School's other financial statements because the Charter School cannot use these assets to finance its operations. The Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found starting on page 46 of this report.

Other Information

The combining statements referred to earlier in connection with governmental funds and enterprise funds are presented immediately following the Notes to the Basic Financial Statements.

Figure A-1 summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

**Major Features of Paterson Charter School for Science and Technology's
Government-Wide and Fund Financial Statements
(Figure A-1)**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not proprietary or fiduciary, such as food service and student activities	Activities the Charter School operates similar to private businesses; N/A	Instances in which the Charter School is the trustee or agent for someone else's resources, such as payroll agency and student activities
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

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 -\$1,567,254 for 2015 and \$3,493,897 for 2014.

Governmental Activities

The Charter School's total revenues were \$16,942,923 for 2015 and \$16,817,478 for 2014, this includes \$486,534 for 2015 and \$420,237 for 2014 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$16,103,419 for 2015 and \$16,695,550 for 2014. Instruction comprises 44% for 2015 and 52% for 2014 of Charter School expenses.

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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

Business-Type Activities

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

- ❖ Proprietary Fund operating expenses exceeded operating revenues by \$87,886 for 2015 and operating revenues exceeded operating expenses by 31,536 for 2014.
- ❖ Charges for services represent \$67,882 for 2015 and \$89,336 for 2014. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$680,228 for 2015 and \$681,925 for 2014.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$16,942,923 for 2015 and \$16,817,478 for 2014 and expenditures were \$16,862,219 for 2015 and \$16,691,224 for 2014. The net change in fund balance for fiscal years 2015 and 2014 was most significant in the general fund, a decrease of \$3,878,304 in 2015 and an increase of \$126,254 in 2014.

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

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2014	Percent of Increase/ (Decrease)
Local Sources	\$ 1,572,576	9.28%	\$ 18,564	1.19%
State Sources	14,473,354	85.42%	91,482	0.64%
Federal Sources	896,993	5.30%	15,399	1.75%
Total	\$ 16,942,923	100.00%	\$ 125,445	

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

The Charter School's Funds (Continued)

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

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2014	Percent of Increase/ (Decrease)
Instruction	\$ 7,039,449	37.38%	\$ 190,195	2.78%
Administration	4,657,552	24.73%	523,912	12.67%
Support Services	5,876,026	31.20%	237,870	4.22%
Capital Outlay	1,259,477	6.69%	1,189,303	1694.79%
Total	<u>\$ 18,832,504</u>	<u>100.00%</u>	<u>\$ 2,141,280</u>	

Budgets

The Charter School's budget is prepared according to New Jersey Department of Education guidelines. The most significant budgetary fund is the General Fund. Revisions in the general fund budget were made through budget transfers to prevent over commitments in specific line item accounts. These transfers were made by a resolution of the Board of Education pursuant to N.J.S.A. 18A:22-8.1.

Described below are explanations for variations in expenditures for certain lines where the modified budgeted amounts differ from the original budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed necessary.

Revenues

There was a revenue decrease by \$296,786 between the original according to projected enrollment count and modified per actual June 30 enrollment count budgets.

There was a revenue decrease by \$831,700 due to E-rate category II program cancellation.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

Budgets (Continued)

Expenditures

The modified budget for Capital Outlay increased by \$217,628 due to instructional equipment related to additional teaching devices and preparation for PARCC testing, non-instructional equipment and renovations to sustain safety and security for new building.

The modified budget for Student Transportation services increased by \$58,788 due to introduced new athletic programs.

The modified budget for Insurance services decreased by \$31,796 due to decrease in premiums of workers' compensation because of good claims experience.

Capital Assets (Net of Depreciation)

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:						
<i>Capital Assets Being Depreciated:</i>						
Building and Building Improvements	\$ -	\$ 270,953	\$ -	\$ 270,953	\$ 270,953	\$ -
Machinery and Equipment	413,748	3,027,978	26,925	3,414,801	3,414,801	413,748
Totals Capital Assets Being Depreciated	<u>413,748</u>	<u>3,298,931</u>	<u>26,925</u>	<u>3,685,754</u>	<u>3,685,754</u>	<u>413,748</u>
Less Accumulated Depreciation:						
Building and Building Improvements	-	6,774	-	6,774	6,774	-
Less Accumulated Depreciation	212,668	253,357	26,925	439,100	439,100	212,668
Total Accumulated Depreciation	<u>212,668</u>	<u>260,131</u>	<u>26,925</u>	<u>445,874</u>	<u>445,874</u>	<u>212,668</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>201,080</u>	<u>3,038,800</u>	<u>-</u>	<u>3,239,880</u>	<u>3,239,880</u>	<u>201,080</u>
Government Activity Capital Assets, Net	<u>\$ 201,080</u>	<u>\$ 3,038,800</u>	<u>\$ -</u>	<u>\$ 3,239,880</u>	<u>\$ 3,239,880</u>	<u>\$ 201,080</u>
Business-Type Activities:						
<i>Capital Assets Being Depreciated:</i>						
Machinery and Equipment	\$ 79,132	\$ 78,456	\$ -	\$ 157,588	\$ 157,588	\$ 79,132
Less Accumulated Depreciation	46,667	18,597	-	65,264	65,264	46,667
Enterprise Fund Capital Assets, Net	<u>\$ 125,799</u>	<u>\$ 97,053</u>	<u>\$ -</u>	<u>\$ 222,852</u>	<u>\$ 92,324</u>	<u>\$ 32,465</u>

At the end of the fiscal year 2015, the Charter School had \$3,239,880 invested in machinery and equipment for governmental activities.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

Factors Bearing on the Charter School's Future

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

In conclusion, Paterson Charter School for Science and Technology 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. Irfan Evcil, Business Administrator/Board Secretary at Paterson Charter School for Science and Technology, 196 W. Railway Ave., Paterson, New Jersey 07503.

BASIC FINANCIAL STATEMENTS

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

SECTION A – GOVERNMENT-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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,309,825	\$ 151,683	\$ 1,461,508
Internal Balances	106,462		106,462
Receivables	294,787	58,747	353,534
Prepaid Expenses	4,440		4,440
Restricted Assets:			
Cash	25,044		25,044
Capital Assets, Net	<u>3,239,880</u>	<u>92,324</u>	<u>3,332,204</u>
 Total Assets	 <u>4,980,438</u>	 <u>302,754</u>	 <u>5,283,192</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	<u>437,555</u>		<u>437,555</u>
 Deferred Outflows of Resources	 <u>437,555</u>	 <u>-</u>	 <u>437,555</u>
LIABILITIES:			
Interfund Payable	106,431		106,431
Payable to State Government	164,349		164,349
Accounts Payable	226,814	54,596	281,410
Due Within One Year	670,443		670,443
Due Beyond One Year	729,557		729,557
Pensions	<u>5,035,604</u>		<u>5,035,604</u>
 Total Liabilities	 <u>6,933,198</u>	 <u>54,596</u>	 <u>6,987,794</u>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	<u>300,207</u>		<u>300,207</u>
 Deferred Inflows of Resources	 <u>300,207</u>	 <u>-</u>	 <u>300,207</u>
NET POSITION:			
Net Investment in Capital Assets	1,839,880	83,253	1,923,133
Unassigned	<u>(3,655,292)</u>	<u>164,905</u>	<u>(3,490,387)</u>
 Total Net Position	 <u>\$ (1,815,412)</u>	 <u>\$ 248,158</u>	 <u>\$ (1,567,254)</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Statement of Activities

For The Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 7,130,708	\$ -	\$ 258,791	\$ -	\$ (6,871,917)	\$ -	\$ (6,871,917)
Administration	2,251,993				(2,251,993)		(2,251,993)
Support Services	6,720,718				(6,720,718)		(6,720,718)
Total Governmental Activities	16,103,419	-	258,791	-	(15,844,628)	-	(15,844,628)
BUSINESS-TYPE ACTIVITIES:							
Food Service	660,550	67,882	680,228			87,560	87,560
Total Business-Type Activities	660,550	67,882	680,228	-	-	87,560	87,560
Total Primary Government	\$ 16,763,969	\$ 67,882	\$ 939,019	\$ -	\$ (15,844,628)	\$ 87,560	\$ (15,757,068)
GENERAL REVENUES							
Federal and State Aid Not Restricted					\$ 16,634,274	\$ -	\$ 16,634,274
Investment Earnings					2,949	326	3,275
Miscellaneous Income					46,909		46,909
Total General Revenues					16,684,132	326	16,684,458
Change in Net Position					839,504	87,886	927,390
Net Position - Beginning of Year- Restated					(2,654,916)	160,272	(2,494,644)
Net Position - Ending					\$ (1,815,412)	\$ 248,158	\$ (1,567,254)

SECTION B – FUND FINANCIAL STATEMENTS

The combining and individual fund and account group statements and schedules present more detailed information for the individual funds in a format that segregates information by fund type. The statements are segregated as follows:

Governmental Funds – This section consists of the general, special revenue, capital projects, and debt service funds.

Proprietary Funds – This section consists of the food service program. These funds are operated in a manner to a private business enterprise.

Fiduciary Funds – This section consists of the unemployment compensation insurance trust fund, the student activity and the payroll agency funds.

GOVERNMENTAL FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Balance Sheet
 June 30, 2015

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents:			
Cash and Cash Equivalents	\$ 1,309,825	\$ -	\$ 1,309,825
Restricted	25,044		25,044
Interfund Receivables	106,462		106,462
Receivables From Other Governments	23,267	199,345	222,612
Other Receivables	72,175		72,175
Other Assets	4,440		4,440
Total Current Assets	1,541,213	199,345	1,740,558
Total Assets	\$ 1,541,213	\$ 199,345	\$ 1,740,558
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 106,431	\$ 106,431
Payable to State Government	164,349		164,349
Accounts Payable	133,900	92,914	226,814
Total Current Liabilities	298,249	199,345	497,594
Total Liabilities	298,249	199,345	497,594
Fund Balances:			
Unassigned:			
General Fund	1,242,964		1,242,964
Total Fund Balances	1,242,964	-	1,242,964
Total Liabilities and Fund Balances	\$ 1,541,213	\$ 199,345	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$3,685,754 and the accumulated depreciation is \$445,874.

3,239,880

Net pension liability of \$5,035,604, deferred inflows of resources of \$300,207 less deferred outflows of resources of \$437,555 related to pensions are not reported in the governmental funds

(4,898,256)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(1,400,000)

Net Position of Governmental Activities

\$ (1,815,412)

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 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
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,522,718	\$ -	\$ 1,522,718
Interest on Investments	2,949		2,949
Miscellaneous	46,909		46,909
Total Local Sources	1,572,576	-	1,572,576
State Sources	14,473,354		14,473,354
Federal Sources		896,993	896,993
Total Revenues	16,045,930	896,993	16,942,923
EXPENDITURES:			
Current:			
Instruction	6,418,651	620,798	7,039,449
Administration	4,657,552		4,657,552
Support Services	5,599,831	276,195	5,876,026
Capital Outlay	1,259,477		1,259,477
Total Expenditures	17,935,511	896,993	18,832,504
NET CHANGE IN FUND BALANCES	(1,889,581)	-	(1,889,581)
FUND BALANCES, JULY 1	3,132,545	-	3,132,545
FUND BALANCES, JUNE 30	\$ 1,242,964	\$ -	\$ 1,242,964

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 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)		\$ (1,889,581)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p>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.</p>		
Depreciation Expense	\$ (260,131)	
Capital Outlay	<u>3,298,931</u>	
		3,038,800
<p>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.</p>		
		<u>(309,715)</u>
Change in net position of governmental activities		<u><u>\$ 839,504</u></u>

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

PROPRIETARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund
Statement of Net Position
June 30, 2015

	Business-Type Activities
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 151,683
Intergovernmental Accounts Receivable:	
Federal	57,863
State	884
Total Current Assets	210,430
Noncurrent Assets:	
Machinery and Equipment	157,588
Less Accumulated Depreciation	(65,264)
Total Noncurrent Assets	92,324
Total Assets	\$ 302,754
LIABILITIES AND NET POSITION:	
Current Liabilities:	
Accounts Payable	\$ 54,596
Total Current Liabilities	54,596
Total Liabilities	54,596
Net Position:	
Net Investment in Capital Assets	83,253
Unassigned	164,905
Total Net Position	248,158
Total Liabilities and Net Position	\$ 302,754

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2015

	Business-Type Activities
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 67,882
Total Operating Revenues	67,882
OPERATING EXPENSES:	
Salaries	249,649
Management Fees	8,360
Supplies and Materials	32,809
Depreciation Expense	18,597
Cost of Sales	325,921
Miscellaneous Expenses	25,214
Total Operating Expenses	660,550
OPERATING INCOME (LOSS)	(592,668)
NONOPERATING REVENUES:	
State Source:	
State School Breakfast/Lunch Program	7,678
Federal Source:	
National School Breakfast/Lunch/Snack Program	641,321
Fresh Fruit and Vegetable Program	31,229
Interest Income	326
Total Nonoperating Revenues	680,554
CHANGE IN NET POSITION	87,886
TOTAL NET POSITION, JULY 1	160,272
TOTAL NET POSITION, JUNE 30	\$ 248,158

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 60,519
Cash Payments to Suppliers and Employees	(643,455)
Net Cash Used In Operating Activities	(582,936)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	680,228
Net Cash Provided By Noncapital Financing Activities	680,228
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition And Construction Of Capital Assets	(78,456)
Net Cash Used For Capital And Related Financing Activities	(78,456)
Net Increase In Cash And Cash Equivalents	19,162
Cash And Cash Equivalents, Beginning Of Year	132,521
Cash And Cash Equivalents, End Of Year	\$ 151,683
Reconciliation of Operating (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Operating (Loss) Used for Operating Activities	\$ (592,668)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:	
Depreciation	18,597
Change In Assets And Liabilities:	
Increase In Receivables From Other Governments	(7,363)
Increase In Accounts Payable	(1,502)
Net Cash (Used For) Operating Activities	\$ (582,936)

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

FIDUCIARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2015

	Trusts		Agency Fund
	Unemployment Compensation Insurance	Flexible Spending Account	
ASSETS:			
Cash and Cash Equivalents	\$ 3	\$ 7,203	\$ 41,642
Total Assets	<u>\$ 3</u>	<u>\$ 7,203</u>	<u>\$ 41,642</u>
LIABILITIES:			
Interfund Accounts Payable Due to Student Groups			\$ 31 41,611
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 41,642</u>
NET POSITION:			
Reserved for Encumbrances Held in Trust for Claims	<u>3</u>	<u>7,203</u>	
Total Liabilities and Net Position	<u>\$ 3</u>	<u>\$ 7,203</u>	

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Year Ended June 30, 2015

	Trusts	
	Unemployment Compensation Insurance	Flexible Spending Account
ADDITIONS:		
Contributions:		
Plan Member	\$ 66,005	\$ 33,465
Total Contributions	<u>66,005</u>	<u>33,465</u>
Investment Earnings:		
Interest	<u>3</u>	<u>12</u>
Net Investment Earnings	<u>3</u>	<u>12</u>
Total Additions	<u>66,008</u>	<u>33,477</u>
DEDUCTIONS:		
Payment of Claims	<u>66,005</u>	<u>29,413</u>
Total Deductions	<u>66,005</u>	<u>29,413</u>
CHANGE IN NET POSITION	3	4,064
NET POSITION - BEGINNING OF THE YEAR	<u>-</u>	<u>3,139</u>
NET POSITION - END OF THE YEAR	<u>\$ 3</u>	<u>\$ 7,203</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Paterson Charter School for Science and Technology 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 maintain 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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 Paterson Charter School for Science and Technology include two schools a Grade K-6 and a Grade 7-12 located in the City of Paterson. 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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 noninstructional 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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:

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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. Nonexchange 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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:

Total Revenues & Expenditures (Budgetary Basis)	\$ 896,993
Adjustments:	
Less Encumbrances at June 30, 2015	-
Plus Encumbrances at June 30, 2014	-
Total Revenues and Expenditures (GAAP Basis)	\$ 896,993

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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,

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Recent Accounting Pronouncements (Continued)

“Pension Disclosures.” The Charter School is in the process of reviewing its obligations under GASB 67, and its potential impact on the financial statements.

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Deposits and Investments (Continued)

Deposits (Continued)

other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 1,334,869	151,683	\$ 48,848	\$ 1,535,400

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 \$1,535,400 and the bank balance was \$1,798,227. 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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

A. Deposits and Investments (Continued)

Deposits (Continued)

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.

As of June 30, 2015, none of the cash and cash equivalents for Paterson Charter School for Science and Technology 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;

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

Investments (Continued)

- (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
- (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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Investments (Continued)

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 72,175	\$ 73,059
Federal Aid	199,345	257,208
Other	-	-
Gross Receivables	271,520	330,267
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 271,520	\$ 330,267

A. Interfund Receivables and Payables

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

There were no interfund balances on the fund financial statements at June 30, 2015.

B. Capital Assets

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ -	\$ 270,953	\$ -	\$ 270,953
Machinery and Equipment	413,748	3,027,978	26,925	3,414,801
Total Capital Assets Being Depreciated	<u>413,748</u>	<u>3,298,931</u>	<u>26,925</u>	<u>3,685,754</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	-	6,774	-	6,774
Machinery and Equipment	212,668	253,357	26,925	439,100
Total Accumulated Depreciation	<u>212,668</u>	<u>260,131</u>	<u>26,925</u>	<u>445,874</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>201,080</u>	<u>3,038,800</u>	<u>-</u>	<u>3,239,880</u>
Government Activity Capital Assets, Net	<u>\$ 201,080</u>	<u>\$ 3,038,800</u>	<u>\$ -</u>	<u>\$ 3,239,880</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 79,132	\$ 78,456	\$ -	\$ 157,588
Less Accumulated Depreciation	(46,667)	(18,597)	-	(65,264)
Enterprise Fund Capital Assets, Net	<u>\$ 32,465</u>	<u>\$ 59,859</u>	<u>\$ -</u>	<u>\$ 92,324</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.

Depreciation expense was charged to functions as follows:

Instructional	\$ 201,684
Administration	8,207
Support	50,240
Total	<u>\$ 260,131</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE III: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES /EXPENDITURES

Operating Leases

The school leases classroom and office space at 276 Wabash Avenue, Paterson, New Jersey. The lease is for sixty (60) months commencing July 1, 2012 and expiring on June 30, 2017 with an option to renew for seven (7) periods, consisting of five (5) years each. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 1,054,000
2017	<u>1,054,000</u>
Total future minimum lease payments	<u><u>\$ 2,108,000</u></u>

In addition, the school leases classroom and office space at 196 W. Railway Ave., Paterson, New Jersey under a lease agreement for three (3) years commencing July 1, 2014 and ending June 30, 2017. The lease requires annual rental payments as follows:

<u>Year Ended</u>	<u>Amount</u>
2016	\$ 1,395,200
2017	<u>1,395,200</u>
Total future minimum lease payments	<u><u>\$ 2,790,400</u></u>

Capital Lease Payable

The Charter School is leasing technology equipment totaling \$2,400,000 under a capital lease. The capital lease is for a term of three years. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2015:

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE III: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES /EXPENDITURES

Capital Lease Payable (Continued)

<u>Year</u>	<u>Amount</u>
2016	\$ 760,017
2017	760,017
	1,520,034
Total Minimum Lease Payments	1,520,034
Less: Amount Representing Interest	(120,034)
	\$ 1,400,000
Present Value of Net Minimum Lease Payments	

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.

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:

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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 1/55th 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 1/60th 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Contributions (Continued)

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years 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. District contributions to PERS amounted to \$ 224,462 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 1st 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 \$ 5,035,604 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 District'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 0.02689567%, which was an increase of 0.00171250% from its proportion measured as of June 30, 2013.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

For the fiscal year ended June 30, 2014, the District recognized pension expense of \$ 213,965 . 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	\$ 279,209	\$ -
Changes in Proportion	158,346	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	300,207
	\$ 437,555	\$ 300,207

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	(65,044.05)
2016	(65,044.05)
2017	(65,044.05)
2018	(65,044.05)
2019	51,053.22
Thereafter	22,463.42
	(186,659.55)

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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)

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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 position was projected to be available to make

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after that date in determining the total pension liability.

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

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

Fiscal Year Ended June 30, 2014			
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the Net Pension Liability	\$ 6,334,962	\$ 5,035,604	\$ 3,944,475

Fiscal Year Ended June 30, 2013			
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Charter School's proportionate share of the Net Pension Liability	\$ 5,991,555	\$ 4,813,003	\$ 3,825,533

Pension Plan Fiduciary Net Position

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

A. 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.

Benefit Provided

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 \$64,622 156,490 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 214,672 .

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 1st 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 \$ 27,009,948 . 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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 0.0505362%, which was an increase of 0.0119202% 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 Charter School	<u>27,009,948</u>
Total	<u>\$ 27,009,948</u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the Charter School in the amount of \$ 214,672 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		1,741,236,574
	<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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC 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:

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE IV: PENSION PLANS (CONTINUED)

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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	\$ 32,708,530	\$ 27,195,074	\$ 22,609,320

	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	\$ 23,562,534	\$ 19,613,253	\$ 16,354,509

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE V: POST-RETIREMENT MEDICAL BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 districts 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 districts 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.

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

Fiscal Year	Contributions	School Contributions	Amount Reimbursed	Ending Balance
2014-2015	\$ 3	\$ 66,005	\$ 66,005	\$ 3
2013-2014	2,632	21,606	24,238	-
2012-2013	3,538	163,860	164,766	2,632

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE VII: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

Of the \$1,242,715 General Fund balance at June 30, 2015, \$1,242,715 is unassigned and undesignated.

NOTE VIII: SUBSEQUENT EVENTS

The Paterson Charter School for Science and Technology'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.

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	#VALUE!
Adjustments:	
Net Pension Liability	(1,183,048)
Deferred Outflow - Payments Subsequent to Measurement Date	78,372
Total Adjustments	(1,104,676)
Restated Net Position June 30, 2014	#VALUE!

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 SCHEDULES

The budgetary comparison schedules consist of the comparison of anticipated revenues and budgeted expenditures to actual results for the general and special revenue funds.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 1,538,239	\$ (47,780)	\$ 1,490,459	\$ 1,522,718	\$ 32,259
Total Local Levy Budget	1,538,239	(47,780)	1,490,459	1,522,718	32,259
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	12,763,148	(70,554)	12,692,594	12,564,472	(128,122)
Special Education Aid	328,729	(69,938)	258,791	258,791	-
Security Aid	482,653	(18,136)	464,517	454,481	(10,036)
Total Categorical Aid	13,574,530	(158,628)	13,415,902	13,277,744	(138,158)
Revenues From Other Sources:					
Interest Income				2,949	2,949
Donations and Contributions				168	168
Miscellaneous Revenue	896,172	(831,700)	64,472	44,044	(20,428)
Refund of Prior Year Expense				2,697	2,697
On-Behalf TPAF Pension Contributions/Medical Benefits (Non-Budgeted)				709,076	709,076
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				486,534	486,534
Total Revenues From Other Sources	896,172	(831,700)	64,472	1,245,468	1,180,996
Total Revenues	16,008,941	(1,038,108)	14,970,833	16,045,930	1,075,097
EXPENDITURES:					
Instruction:					
Salaries of Teachers	5,118,119	102,607	5,220,726	5,050,474	170,252
Other Salaries for Instruction	868,400	(328,774)	539,626	505,363	34,263
Purchased Prof/Tech Services	185,974	62,705	248,679	245,982	2,697
Other Purchased Services	287,890	(14,095)	273,795	265,635	8,160
General Supplies	204,606	(16,123)	188,483	187,541	942
Textbooks	199,516	(56,706)	142,810	137,534	5,276
Miscellaneous	42,183	(12,038)	30,145	26,122	4,023
Total Instruction	6,906,688	(262,424)	6,644,264	6,418,651	225,613
Administration:					
Salaries - General Administration	853,922	14,500	868,422	866,304	2,118
Salaries of Secretarial/Clerical Assistants	263,272	(29,774)	233,498	233,498	-
Total Benefits Cost	1,860,057	72,411	1,932,468	1,925,024	7,444
Purchases Prof/Tech Services	202,692	13,279	215,971	215,971	-
Other Purchased Services	159,729	(25,353)	134,376	134,375	1
Supplies and Materials	109,500	(49,834)	59,666	59,666	-
Miscellaneous Expenses	32,430	(5,326)	27,104	27,104	-
Total Administration	3,482,602	(11,097)	3,471,505	3,461,942	9,563

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services:					
Salaries	\$ 2,118,403	\$ (128,135)	\$ 1,990,268	\$ 1,986,083	\$ 4,185
Purchased Prof/Ed Services	30,000	44,340	74,340	74,339	1
Purchased Prof/Tech Services	77,298	(32,406)	44,892	44,892	-
Rental of Land and Buildings	2,505,588	118,006	2,623,594	2,623,594	-
Other Purchased Services	403,471	(88,236)	315,235	314,868	367
Transportation-Other Than To/From School	98,000	58,789	156,789	156,788	1
Insurance for Property, Liability and Fidelity	100,209	(31,786)	68,423	68,423	-
Supplies and Materials	96,000	(41,975)	54,025	53,524	501
Energy Costs (Heat and Electricity)	260,000	17,321	277,321	277,320	1
Total Support Services	5,688,969	(84,082)	5,604,887	5,599,831	5,056
Capital Outlay:					
Instructional Equipment	503,110	60,768	563,878	563,798	80
Non-Instructional Equipment	539,319	65,032	604,351	604,351	-
Miscellaneous Expenses		91,828	91,828	91,328	500
Total Capital Outlay	1,042,429	217,628	1,260,057	1,259,477	580
On-Behalf TPAF Pension Contributions/Medical Benefits (Non-Budgeted)				709,076	(709,076)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				486,534	(486,534)
Total Expenditures	17,120,688	(139,975)	16,980,713	17,935,511	(954,798)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,111,747)	(898,133)	(2,009,880)	(1,889,581)	120,299
FUND BALANCE, JULY 1	3,132,545	-	3,132,545	3,132,545	-
FUND BALANCE, JUNE 30	\$ 2,020,798	\$ (898,133)	\$ 1,122,665	\$ 1,242,964	\$ 120,299
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 2,020,798	\$ (898,133)	\$ 1,122,665	\$ 1,242,964	\$ 120,299
Total	\$ 2,020,798	\$ (898,133)	\$ 1,122,665	\$ 1,242,964	\$ 120,299

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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
REVENUE SOURCES:					
Federal	\$ 896,993	\$ -	\$ 896,993	\$ 896,993	\$ -
Total Revenues	896,993	-	896,993	896,993	-
EXPENDITURES:					
Instruction:					
Salaries	259,775	(30,423)	229,352	229,352	-
Salaries of Teachers	182,300	(23,791)	158,509	158,509	-
Purchased Prof/Tech Services	203,626	14,881	218,507	218,507	-
General Supplies	1,000	13,430	14,430	14,430	-
Total Instruction	646,701	(25,903)	620,798	620,798	-
Support Services:					
Salaries	55,000	6,914	61,914	61,914	-
Personal Services - Employee Benefits	95,788	(7,726)	88,062	88,062	-
Purchased Prof/Ed Services	83,837	7,569	91,406	91,406	-
Purchased Professional Services	692	6,688	7,380	7,380	-
Other Purchased Services	2,475		2,475	2,475	-
Supplies and Materials	12,500	12,458	24,958	24,958	-
Total Support Services	250,292	25,903	276,195	276,195	-
Total Expenditures	896,993	-	896,993	896,993	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2015

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	[C-1] \$ 16,045,930	[C-2] \$ 896,993
 Difference - Budget to GAAP		
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses in accordance with GASB 33.		
 Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>16,045,930</u>	[B-2] \$ <u>896,993</u>
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 17,935,511	[C-2] \$ 896,993
 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>17,935,511</u>	[B-2] \$ <u>896,993</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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	0.0386160%	0.050536189%
Charter School's proportionate share of the net pension liability	\$ 4,813,003	\$ 5,035,604
Charter School's covered employees payroll	\$ 2,989,172	\$ 3,147,799
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	161%	160%
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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 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	\$ 189,750	\$ 221,724
Contributions in relation to the contractually required contribution	<u>(213,965)</u>	<u>(224,462)</u>
Contribution deficiency/(excess)	<u>\$ (24,215)</u>	<u>\$ (2,738)</u>
Charter School's covered employee payroll	\$ 2,989,172	\$ 3,147,799
Contributions as a percentage of covered employee payroll	6.35%	7.04%

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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	0.0386160%	0.05053619%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 19,516,211	\$ 27,009,948
Charter School's covered employees payroll	\$ 5,915,567	\$ 5,943,698
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	329.91%	454.43%
Plan fiduciary net position as a percentage 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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	\$ 214,672
Contributions in relation to the contractually required contribution	<u>(156,490)</u>
Contribution deficiency/(excess)	<u>\$ 58,182</u>
Charter School's covered employee payroll	\$ 5,915,567
Contributions as a percentage of covered employee payroll	3.63%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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**

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2015

	NCLB Title I	I.D.E.A. Part B	NCLB Title II	Grand Total
REVENUE SOURCES:				
Federal	\$ 694,317	\$ 196,701	\$ 5,975	\$ 896,993
Total Revenues	694,317	196,701	5,975	896,993
EXPENDITURES:				
Instruction:				
Salaries	229,352			229,352
Salaries of Teachers	158,509			158,509
Purchased Prof/Tech Services	21,806	196,701		218,507
General Supplies	14,430			14,430
Total Instruction	424,097	196,701	-	620,798
Support Services:				
Salaries	61,914			61,914
Personal Services - Employee Benefits	88,062			88,062
Purchased Prof/Ed Services	87,906		3,500	91,406
Other Purchased Prof/Tech Services	7,380			7,380
Contr Services - Trans (Bet Home & Sch)			2,475	2,475
Supplies and Materials	24,958			24,958
Total Support Services	270,220	-	5,975	276,195
Total Expenditures	694,317	196,701	5,975	896,993
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

Food Services Fund – The fund provides for the operation of food services in all schools within the 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 school for a specific purpose.

Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.

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

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

Payroll Fund – this agency fund is used to account for payroll transactions of the charter school.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Combining Statement of Fiduciary Net Position

As of June 30, 2015

	Trusts		Agency				Total Agency Fund
	Unemployment Compensation Insurance	Flexible Spending Account	Payroll Agency	Net Payroll	Student Activities		
ASSETS:							
Cash and Cash Equivalents	\$ 3	\$ 7,203	\$ 13	\$ 18	\$ 41,611	\$ 41,642	
Total Assets	3	7,203	13	18	41,611	41,642	
LIABILITIES:							
Interfund Accounts Payable Due to Student Groups	\$ -	\$ -	\$ 13	\$ 18	\$ -	\$ 31	
Total Liabilities	-	-	13	18	41,611	41,611	
NET POSITION:							
Held in Trust for Claims	3	7,203					
Total Net Position	\$ 3	\$ 7,203	\$ 13	\$ 18	\$ 41,611	\$ 41,642	

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2015</u>
School Activities	\$ 40,114	\$ 137,669	\$ 136,172	\$ 41,611
Total	<u>\$ 40,114</u>	<u>\$ 137,669</u>	<u>\$ 136,172</u>	<u>\$ 41,611</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS:				
Cash and Cash Equivalents	\$ -	\$ 4,137,278	\$ 4,137,265	\$ 13
Total Assets	<u>\$ -</u>	<u>\$ 4,137,278</u>	<u>\$ 4,137,265</u>	<u>\$ 13</u>
LIABILITIES:				
Interfund Accounts Payable	\$ -	\$ 13	\$ -	\$ 13
Payroll Deductions and Withholdings		4,137,265	4,137,265	
Total Liabilities	<u>\$ -</u>	<u>\$ 4,137,278</u>	<u>\$ 4,137,265</u>	<u>\$ 13</u>

LONG-TERM DEBT

SECTION I – LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the Charter School. This includes serial bonds outstanding and obligations under capital leases.

Paterson Charter School for Science and Technology
 Long-Term Debt
 Schedule of Obligations Under Capital Leases
 As of June 30, 2015

Issue	Date of Issue	Amount of Issue	Interest		Balance June 30, 2014	Issued	Retired	Balance June 30, 2015
			Rate Payable	Rate Payable				
Lease Obligation	7/1/2014	\$ 2,400,000	3.571%		\$ -	\$ 2,400,000	\$ 1,000,000	\$ 1,400,000

**STATISTICAL SECTION
(UNAUDITED)**

Paterson Charter School for Science and Technology has been in operation for ten (10) years. GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the charter school's financial performance and well-being has 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 district 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 government-wide information include information beginning in that year.*

FINANCIAL TRENDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 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
Governmental Activities										
Net Investment in Capital Assets	\$ 1,839,880	\$ 275,580	\$ 266,681	\$ (203,448)	\$ 31,616	\$ 14,765	\$ 20,163	\$ 23,089	\$ 26,016	\$ 30,022
Restricted										1,855
Unrestricted	(3,655,292)	3,058,045	2,945,016	2,536,728	2,409,087	1,843,645	1,273,368	212,470	148,886	273,538
Total Governmental Activities Net Position	<u>\$ (1,815,412)</u>	<u>\$ 3,333,625</u>	<u>\$ 3,211,697</u>	<u>\$ 2,333,280</u>	<u>\$ 2,440,703</u>	<u>\$ 1,858,410</u>	<u>\$ 1,293,531</u>	<u>\$ 235,559</u>	<u>\$ 174,902</u>	<u>\$ 305,415</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 83,253	\$ 32,465	\$ 23,770	\$ 23,770	\$ 24,795	\$ 25,485	\$ 6,293	\$ 7,107	\$ 7,920	\$ 8,733
Unrestricted	164,905	127,807	168,038	166,871	98,035	69,578	23,212	4,352		
Total Business-Type Activities Net Position	<u>\$ 248,158</u>	<u>\$ 160,272</u>	<u>\$ 191,808</u>	<u>\$ 190,641</u>	<u>\$ 122,830</u>	<u>\$ 95,063</u>	<u>\$ 29,505</u>	<u>\$ 11,459</u>	<u>\$ 7,920</u>	<u>\$ 8,733</u>
Government-Wide										
Net Investment in Capital Assets	\$ 1,923,133	\$ 308,045	\$ 290,451	\$ (179,678)	\$ 56,411	\$ 40,250	\$ 26,456	\$ 30,196	\$ 33,936	\$ 38,755
Restricted										1,855
Unrestricted	(3,490,387)	3,185,852	3,113,054	2,703,599	2,507,122	1,913,223	1,296,580	216,822	148,886	273,538
Total Charter School Net Position	<u>\$ (1,567,254)</u>	<u>\$ 3,493,897</u>	<u>\$ 3,403,505</u>	<u>\$ 2,523,921</u>	<u>\$ 2,563,533</u>	<u>\$ 1,953,473</u>	<u>\$ 1,323,036</u>	<u>\$ 247,018</u>	<u>\$ 182,822</u>	<u>\$ 314,148</u>

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 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
Expenses										
Governmental Activities:										
Instruction	\$ 6,847,415	\$ 8,567,282	\$ 7,781,671	\$ 8,227,659	\$ 5,362,000	\$ 3,802,801	\$ 3,530,643	\$ 3,097,642	\$ 2,282,461	\$ 1,610,191
Administration	2,251,993	1,777,411	1,813,483	1,607,357	1,354,972	1,479,913	1,151,129	919,035	885,638	587,560
Support Services	6,643,465	6,280,683	5,829,281	6,120,760	4,332,206	2,553,882	2,246,026	1,680,601	1,453,521	1,015,769
Capital Outlay	360,546	70,174	102,611	(73,062)	32,507	50	63,296			
Total Governmental Activities Expenses	16,103,419	16,695,550	15,527,046	15,882,714	11,081,685	7,836,646	6,991,094	5,697,278	4,621,620	3,213,520
Business-Type Activities:										
Food Service	660,550	802,848	702,760	592,179	386,212	209,060	160,911	155,230	176,375	112,451
Total Business-Type Activities Expenses	660,550	802,848	702,760	592,179	386,212	209,060	160,911	155,230	176,375	112,451
Total Government-Wide Expenses	\$ 16,763,969	\$ 17,498,398	\$ 16,229,806	\$ 16,474,893	\$ 11,467,897	\$ 8,045,706	\$ 7,152,005	\$ 5,852,508	\$ 4,797,995	\$ 3,325,971
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 258,791	\$ 305,903	\$ 286,804	\$ 164,840	\$ 192,700	\$ 156,625	\$ 93,675	\$ 101,505	\$ 125,880	\$ 121,287
Total Governmental Activities Revenues	258,791	305,903	286,804	164,840	192,700	156,625	93,675	101,505	125,880	121,287
Business-Type Activities:										
Charges for Services	\$ 67,882	\$ 89,336	\$ 93,337	\$ 155,352	\$ 132,222	\$ 53,469	\$ 19,636	\$ 17,321	\$ 16,685	\$ 2,974
Operating Grants and Contributions	680,228	681,925	608,200	504,413	280,704	209,891	155,357	125,104	123,381	82,523
Total Business-Type Activities Revenues	748,110	771,261	701,537	659,765	412,926	263,360	174,993	142,425	140,066	85,497
Total Government-Wide Program Revenues	\$ 1,006,901	\$ 1,077,164	\$ 988,341	\$ 824,605	\$ 605,626	\$ 419,985	\$ 268,668	\$ 243,930	\$ 265,946	\$ 206,784
Net (Expense)/Revenue										
Governmental Activities	\$ (15,844,628)	\$ (16,389,647)	\$ (15,240,242)	\$ (15,717,874)	\$ (10,888,985)	\$ (7,680,021)	\$ (6,897,419)	\$ (5,595,773)	\$ (4,495,740)	\$ (3,092,233)
Business-Type Activities	87,560	(31,587)	(1,223)	67,586	26,714	54,300	14,982	(12,805)	(36,309)	(26,954)
Total Government-Wide Net Expense	\$ (15,757,068)	\$ (16,421,234)	\$ (15,241,465)	\$ (15,650,288)	\$ (10,862,271)	\$ (7,625,721)	\$ (6,883,337)	\$ (5,608,578)	\$ (4,532,049)	\$ (3,119,187)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
General Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,284,588	\$ 799,123	\$ 529,677
Federal and State Aid Not Restricted	16,634,274	16,507,691	16,099,585	15,601,904	11,439,501	8,242,866	7,942,844	4,353,301	3,550,190	2,807,355
Tuition Revenue										
Investment Earnings	2,949	209	373							
Miscellaneous Income	46,909	3,675	18,916	8,174	30,817	236	10,518	18,541	15,914	37,881
Total Governmental Activities	16,684,132	16,511,575	16,118,874	15,610,078	11,470,318	8,243,102	7,953,362	5,656,430	4,365,227	3,374,913
Business-Type Activities:										
Miscellaneous Income	326	51	309	225	1,053	11,258	3,964	16,344	35,496	26,141
Total Business-Type Activities	326	51	309	225	1,053	11,258	3,964	16,344	35,496	26,141
Total Government-Wide	\$ 16,684,458	\$ 16,511,626	\$ 16,119,183	\$ 15,610,303	\$ 11,471,371	\$ 8,254,360	\$ 7,957,326	\$ 5,672,774	\$ 4,400,723	\$ 3,401,054
Change in Net Position										
Governmental Activities	\$ 839,504	\$ 121,928	\$ 878,632	\$ (107,796)	\$ 581,333	\$ 563,081	\$ 1,055,943	\$ 60,657	\$ (130,513)	\$ 282,680
Business-Type Activities	87,886	(31,536)	(914)	67,811	27,767	65,558	18,046	3,539	(813)	(813)
Total Government-Wide Change in Net Position	\$ 927,390	\$ 90,392	\$ 877,718	\$ (39,985)	\$ 609,100	\$ 628,639	\$ 1,073,989	\$ 64,196	\$ (131,326)	\$ 281,867

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,855
Unassigned	1,242,964	3,132,545	3,006,291	2,066,599	2,409,087	1,818,923	1,239,037	212,470	148,886	273,538
Total General Fund	<u>\$ 1,242,964</u>	<u>\$ 3,132,545</u>	<u>\$ 3,006,291</u>	<u>\$ 2,066,599</u>	<u>\$ 2,409,087</u>	<u>\$ 1,818,923</u>	<u>\$ 1,239,037</u>	<u>\$ 212,470</u>	<u>\$ 148,886</u>	<u>\$ 275,393</u>

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 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
Revenues:										
Tax Levy	\$ 1,522,718	\$ 1,550,128	\$ 1,547,400	\$ 1,495,442	\$ 1,107,102	\$ 887,692	\$ 859,164	\$ 1,284,588	\$ 799,123	\$ 529,677
Tuition										
Interest In Investments	2,949	209	158	373	960	1,798	2,029			
Miscellaneous	46,909	3,675	18,916	8,174	30,817	236	10,518	18,541	15,914	37,881
State Sources	14,473,354	14,381,872	13,827,912	13,102,811	9,649,515	7,265,934	6,790,411	4,028,567	3,371,879	2,710,387
Federal Sources	896,993	881,594	1,011,077	1,168,491	875,584	245,865	386,944	426,239	304,191	218,255
Total Revenues	16,942,923	16,817,478	16,405,463	15,775,291	11,663,978	8,401,525	8,049,066	5,757,935	4,491,107	3,496,200
Expenditures:										
Instruction	7,039,449	6,849,254	6,069,098	6,567,794	4,279,997	3,092,141	3,052,805	2,675,880	1,975,147	1,403,521
Administration	4,657,552	4,133,640	4,084,796	3,608,433	2,858,190	2,241,661	1,760,079	1,407,728	1,242,765	858,475
Support Services	5,876,026	5,638,156	5,209,266	5,744,687	3,903,120	2,497,396	2,146,319	1,610,743	1,399,702	960,096
Capital Outlay	1,259,477	70,174	102,611	196,865	32,507	24,772	63,296			
Total Expenditures	18,832,504	16,691,224	15,465,771	16,117,779	11,073,814	7,855,970	7,022,499	5,694,351	4,617,614	3,222,092
Net Change in Fund Balances	\$ (1,889,581)	\$ 126,254	\$ 939,692	\$ (342,488)	\$ 590,164	\$ 545,555	\$ 1,026,567	\$ 63,584	\$ (126,507)	\$ 274,108

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

Fiscal Year Ending June 30,	Donations	Prior Year Refunds	Investment Earnings	Miscellaneous Revenue	Annual Total
2015	\$ 168	\$ 2,697	\$ 2,949	\$ 44,044	\$ 49,858
2014		150	209	3,525	3,884
2013		180	158	18,736	19,074
2012			373	8,174	8,547
2011		2,633	960	23,184	26,777
2010				236	236
2009				10,518	10,518
2008				18,541	18,541
2007				15,914	15,914
2006	6,584			31,297	37,881

Source: Charter School records

OPERATING INFORMATION

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Full-Time Equivalent Charter School Employees by Function
 Last Ten Fiscal Years

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	98	98	98	87	58	48	45	39	35	28
Administrative	12	12	11	4	4	4	5	7	9	7
Support Services	59	68	67	65	40	36	31	17	12	7
Food Service	2	3	3	3	1	1	1	1	1	1
Total	171	181	179	159	103	89	82	64	57	43

Source: Charter School Personnel Records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily		Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
							Enrollment (ADE) ^c	Enrollment			
2015	1,045	\$ 17,573,027	\$ 15,672	-2.49%	98	1:11	1047.6	1007.55	1007.55	1.31%	96.19%
2014	1,034	16,621,050	16,072	8.48%	98	1:11	1034.1	1037.95	1037.95	0.80%	96.23%
2013	1,046	16,042,858	14,815	-3.41%	87	1:11	1043	1007.1	1007.1	0.51%	93.38%
2012	1,038	15,363,160	15,338	4.33%	58	1:12	1037.7	969	969	27.72%	98.12%
2011	751	15,920,914	14,702	6.07%	48	1:13	750.1	736	736	-0.53%	0.00%
2010	565	11,041,307	13,861	13.13%	45	1:12	565	N/A	N/A	13.20%	95.95%
2009	568	7,831,198	12,252	6.08%	39	1:12	568	545	545	17.24%	92.09%
2008	493	6,959,203	11,550	2.06%	35	1:12	493	454	454	19.85%	100.00%
2007	408	5,694,351	11,318	15.91%	28	1:12	408	408	408	52.29%	89.60%
2006	330	4,617,614	9,764	-18.65%	19	1:12	327	293	293	0.00%	91.03%

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).

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 School Building Information
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Charter School Building										
<u>Elementary</u>										
Square Feet	68,000	68,000	68,000	68,000	19,138					
Capacity (students)	564	564	564	564	180					
Enrollment	555	560	555	556	176					
<u>High School/Middle School</u>										
Square Feet	87,200	103,000	103,000	103,000	66,213	66,213	66,213	66,213	66,213	50,000
Capacity (students)	504	504	504	504	588	588	588	504	420	336
Enrollment	490	474	485	482	575	561	568	493	408	330

Number of Schools at June 30, 2015

Elementary = 1 (Grades K-6)

High School/Middle School = 1 (Grades 7-12)

Source: Charter School Facilities Office

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

Note: High School/Middle School moved into a new building as of September 2014



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
Package Policy Declarations

Policy Number: P876AF

Premium: \$38,481.63

Named Insured:
Paterson Charter School for Science and Technology
276 Wabash Avenue
Paterson, NJ 07503

Agent:
CBIZ Insurance Services, Inc. dba CBIZ Centric
219 South Street
New Providence, NJ 07974

Policy Term: 07/01/2014 to 07/01/2015 12:01 AM Eastern Standard Time

Article I - Property

Real and Personal Property	\$350,000,000 per occurrence NJSIG Limit
Extra Expense	\$50,000,000 per occurrence NJSIG Limit
Valuable Papers and Records	\$10,000,000 per occurrence NJSIG Limit
Demolition and Increased Cost of Construction	10,000,000 per occurrence NJSIG Limit
Loss of Rents	Not Covered
Loss of Business Income/Tuition	20,000.00
Builders' Risk	Not Covered
Fire Department Service Charge	10,000 per occurrence
Arson Reward	10,000 per occurrence
Pollutant Cleanup and Removal	250,000 per occurrence
Fine Arts	Not Covered
Sublimits: Special Flood Hazard Area Flood Zones	15,000,000 per occurrence/ NJSIG annual aggregate
Accounts Receivable	\$250,000 per occurrence
All Flood Zones	\$75,000,000 per occurrence /NJSIG annual aggregate
Earthquake	\$50,000,000 per occurrence /NJSIG annual aggregate
Terrorism	\$1,000,000 per occurrence /NJSIG annual aggregate
Deductibles:	
Real & Personal	\$1,000 per occurrence
Extra Expense	\$1,000 per occurrence
Valuable Papers	\$1,000 per occurrence
Special Flood Hazard Area Flood Deductibles:	\$500,000 per building
	\$500,000 per building contents
All Other Flood Zones Flood Deductible:	\$10,000 per member/per occurrence



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
Package Policy Declarations

Policy Number: P876AF

Article II - Electronic Data Processing

Hardware/Software		\$550,000 per occurrence
Extra Expense		Included
Coverage Extensions:	Transit	\$25,000
	Loss of Income	\$10,000
	Terrorism	Included in Property
Deductible:		\$1,000 per occurrence
Special Flood Hazard Area Flood Deductible:		\$500,000 per building contents
All Other Flood Zones Flood Deductible:		\$10,000 per member/per occurrence

Article III - Equipment Breakdown

Combined Single Limit per Accident for Property Damage and Business Income		\$100,000,000
SubLimits:	Property Damage	Included
	Off Premises Property Damage	\$100,000
	Business Income	Included
	Extra Expense	\$10,000,000
	Service Interruption	\$10,000,000
	Perishable Goods	\$500,000
	Data Restoration	\$100,000
	Contingent Business Income	\$100,000
	Demolition Ordinance	\$1,000,000
	or Law Expediting	\$1,000,000
	Expenses Hazardous Substances	\$500,000
	Newly Acquired Locations (120 days notice)	\$250,000
	Terrorism	Included

Deductibles: \$1,000 per Accident for Property Damage
12 Hours for Indirect Coverages
Service Interruption Waiting Period 24 Hours



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
Package Policy Declarations

Policy Number: P876AF

Article IV - Crime

Insuring Agreements	Limits	Deductibles
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$250,000	\$1,000
Insuring Agreement 2 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$25,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	\$25,000	\$500
Insuring Agreement 4 - Forgery or Alteration	\$250,000	\$1,000
Insuring Agreement 5 - Computer Fraud	\$25,000	\$500
Public Officials Bond:		
Treasurer	\$180,000	\$1,000
Board Secretary	\$192,000	\$1,000

Article V - Comprehensive General Liability

Bodily Injury and Property Damage	\$16,000,000 per occurrence
Products and Completed Operations	\$16,000,000 annual aggregate
Sexual Abuse	\$16,000,000 per occurrence \$17,000,000 annual NJSIG aggregate
Personal Injury and Advertising Injury	\$16,000,000 per occurrence/annual aggregate
Employee Benefits Liability	\$16,000,000 per occurrence/annual aggregate
Employee Benefits Liability Deductible	\$1,000 each claim
Premises Medical Payments	\$10,000 per accident \$5,000 limit per person
Terrorism	\$1,000,000 per occurrence/annual NJSIG aggregate



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
Package Policy Declarations

Policy Number: P876AF

Article VI - Automobile

Liability

Symbol 1 Any Auto

Bodily Injury and Property Damage

\$16,000,000 per accident

Symbol 6 Uninsured/Underinsured Motorists - Private Passenger Auto

\$1,000,000 Per Accident

Symbol 6 Uninsured/Underinsured Motorists - All Other Vehicles

\$15,000 Bodily Injury Per Person

\$30,000 Bodily Injury Per Accident

\$5,000 Property Damage Per Accident

Symbol 5 Personal Injury Protection (including pedestrians)

\$250,000

Medical Payments

\$10,000 private passenger vehicles

\$5,000 all other vehicles

Terrorism

\$1,000,000 per occurrence/annual
NJSIG aggregate

Deductible

\$0

Physical Damage (Scheduled vehicles only)

Symbol 7 Comprehensive

\$1,000 deductible

Collision

\$1,000 deductible

Hired Car Physical Damage \$110,000 Limit

\$1,000 deductible

Replacement Cost

Not Covered

Garage Keepers

Included



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
Package Policy Declarations

Policy Number: P876AF

Applicable Policy Forms

NJSIG-P1 (7/14); NJSIG-PJLA (7/02); NJSIG-PPCA (7/14); NJSIG-PLR (7/05); NJSIG-DICC (7/02); NJSIG-P2 (7/13);
NJSIG-BI (7/13); NJSIG-PGYM (07/08); NJSIG-CPKG (07/11); NJSIG EDE (7/14)

NJSIG CSE (7/14)

NJSIG-EDP (7/14)

NJSIG-B1 (7/05); NJSIG-B2 (7/00)

NJSIG-CR1000 (7/06); NJSIG-CR8802 (7/00); NJSIG-CR8804 (7/14); NJSIG-CR0016 (7/00); NJSIG-CR1002
(7/00); NJSIG-CR1044 (7/09); NJSIG-CR1048 (7/00); NJSIG-CR0004 (7/03); NJSIG-CR0003 (7/00);
NJSIG-CR0007(7/03); NJSIG-CBND1 (07/11)

NJSIG-G0 (7/11); NJSIG-G1 (7/13); NJSIG-G2 (7/14); NJSIG-G3 (7/13); NJSIG-G4 (7/09); NJSIG-GMP1 (7/12);

NJSIG-A1 (7/13); NJSIG-A2 (7/10); NJSIG-A3 (7/00); NJSIG-A4 (7/11); NJSIG-A5 (7/00); NJSIG-AGK1 (7/00);
NJSIG-A6 (7/11); NJSIG-A7 (7/13); NJSIG-A8 (7/07)

In witness whereof, the New Jersey Schools Insurance Group
has caused this agreement to be signed by its Director.

A handwritten signature in dark ink, appearing to read "Martin Kalbach". The signature is written in a cursive style with some loops and flourishes.

Martin Kalbach
NJSIG Executive Director

June 23, 2014

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New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
School Leaders Errors & Omissions Liability Policy Declarations

Policy Number: E876AF

Premium: \$25,706.58

Named Insured:

Paterson Charter School for Science and Technology
276 Wabash Avenue
Paterson, NJ 07503

Agent:

CBIZ Insurance Services, Inc. dba CBIZ Centric
219 South Street
New Providence, NJ 07974

Policy Term: July 1, 2014 to July 1, 2015 12:01 AM Eastern Standard Time

Coverage A

Limit of Liability

\$16,000,000 each policy period

Deductible

\$5,000 each claim

Coverage B

Limit of Liability

\$100,000 each claim

Deductible

\$300,000 each policy period

\$5,000 each claim

This is a claims-made and reported policy. By acceptance of this policy, the Insured agrees that the statements in the Declarations and the application and any attachments hereto are the Insured's agreements and representations and that this policy embodies all agreements existing between the Insured and the Company or any of its agents relating to this insurance.

Retroactive Dates for Coverages A & B

It is agreed that notwithstanding any provision of the policy to the contrary, this policy does not apply, as respects Coverages A & B, to claims made against the Insured arising out of a single act, error, omission, misstatement or misleading statement which occurred prior to:

Retro Date for Coverage A July 1, 1986

Retro Date for Coverage B July 1, 1986

Policy Forms: NJSIG-E1 (7/13), NJSIG-E2 (7/13)

In witness whereof, the New Jersey Schools Insurance Group has caused this agreement to be signed by its Director.

Martin Kalbach
NJSIG Executive Director

June 23, 2014

Page 1



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West

Workers' Compensation and Employers' Liability Declarations Page

Policy Number: W876AF

Premium: \$64,279.15

Named Insured:

Paterson Charter School for Science and Technology
276 Wabash Avenue
Paterson, NJ 07503

Agent:

CBIZ Insurance Services, Inc. dba CBIZ Centric
219 South Street
New Providence, NJ 07974

Policy Term: 07/01/2014 to 07/01/2015 12:01 AM Eastern Standard Time

Estimated Professional & Clerical Payroll	\$7,737,604.00
Estimated Non-Professional Payroll	\$657,772.00
Experience Modifier	0.7047
NJSIG Discount	0.4190

The limits of our liability under Part II, Employers' Liability Agreement are:

Bodily Injury by Accident	\$2,000,000	each accident
Bodily Injury by Disease	\$2,000,000	each employee
Bodily Injury by Disease	\$2,000,000	aggregate limit

Policy Forms: NJSIG-W1 (7/03); NJSIG-W2 (7/03)

In witness whereof, the New Jersey Schools Insurance Group has caused this agreement to be signed by its Director.

Martin Kalbach
NJSIG Executive Director

Charter School Performance Framework Financial Performance Fiscal Ratios

Name: Paterson Charter School for Science and Technology

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	1,938,660	3,413,171	1,486,552	Audit: Exhibit A-1
Current Assets	1,787,254	246,826	464,436	Audit: Exhibit A-1
Total Assets	3,977,986	3,893,542	5,283,192	Audit: Exhibit A-1
Current Liabilities	574,481	399,645	552,190	Audit: Exhibit A-1
Total Liabilities	574,481	399,645	6,987,794	Audit: Exhibit A-1
Net Assets	3,403,505	3,493,897	(1,567,254)	Audit: Exhibit A-1
Total Revenue	17,109,390	17,588,790	17,691,359	Audit: Exhibit A-2
Total Expenses	16,229,806	17,568,572	16,763,969	Audit: Exhibit A-2
Change in Net Assets	879,584	20,218	927,390	Audit: Exhibit A-2
Depreciation Expense	61,275	74,500	260,131	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	(1,400,000)	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	1,046.20	1,034.10	1,047.60	DOE Enrollment Reports
March 30th Budgeted Enrollment	1,068	1,066	1,067	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2013	2014	2015	3 YR CUM
1a. Current Ratio	3.11	0.62	0.84	Source: Current Assets/Current Liabilities
1b. Unrestricted Days Cash	43.60	70.91	32.37	Cash/(Total Expenses/365)
1c. Enrollment Variance	98%	97%	98%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	#NAME?	Audit

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? N/A

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

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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”

The Honorable President and
Members of the Board of Trustees
Paterson Charter School for Science and Technology
County of Passaic
Paterson, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, 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 5, 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 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.

We also noted other matters that we reported to the Board of Trustees of the Paterson Charter School for Science and Technology in a separate report entitled, Auditor's Management Report on Administrative Findings dated December 5, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Division of 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 5, 2015

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

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Independent Auditor’s Report on Compliance for Each Major Federal and State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04

The Honorable President and
Members of the Board of Trustees
Paterson Charter School for Science and Technology
County of Passaic
Paterson, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Paterson Charter School for Science and Technology’s compliance with the types of compliance requirements described in the “U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement” and the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2015. The Paterson Charter School for Science and Technology’s major federal and state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; 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 and State Aid. Those standards, OMB Circular A-133 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Paterson Charter School for Science and Technology, in the County of Passaic, 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 federal and state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Paterson Charter School for Science and Technology is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB 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 federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance*

is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 OMB Circular A-133 and New Jersey OMB Circular 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 5, 2015

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind Cluster:													
Title I Part A	84.010A	NCLB - 7503 - 15	\$ 694,317	9/1/14 8/31/15	\$ -	\$ -	\$ 494,972	\$ (694,317)	\$ -	\$ -	\$ (199,345)	\$ -	\$ -
Title II Part A	84.367A	NCLB - 7503 - 15	5,975	9/1/14 8/31/15	-	-	5,975	(5,975)	-	-	(199,345)	-	-
Total No Child Left Behind Cluster			694,317				494,972	(694,317)			(199,345)		
Individuals with Disabilities Cluster:													
I.D.E.A. Part B Basic	84.027	IDEA - 7503 - 15	196,701	9/1/14 8/31/15	-	-	196,701	(196,701)	-	-	-	-	-
Total Individuals with Disabilities Cluster			196,701				196,701	(196,701)			-		
Total Special Revenue Fund			697,648				697,648	(696,993)			(199,345)		
U.S. Department of Agriculture													
Passed-through State Department of Agriculture													
Enterprise Fund:													
School Breakfast Program	10.553	N/A	198,667	7/1/14 6/30/15	(16,685)	-	177,372	(198,667)	-	-	(21,295)	-	-
School Breakfast Program	10.553	N/A	-	7/1/13 6/30/14	-	-	16,685	-	-	-	-	-	-
National School Lunch Program	10.555	N/A	382,488	7/1/14 6/30/15	(33,345)	-	348,420	(382,488)	-	-	(34,068)	-	-
National School Lunch Program	10.555	N/A	-	7/1/13 6/30/14	-	-	33,345	-	-	-	-	-	-
Child Care Food Program	10.558	N/A	60,166	7/1/14 6/30/15	(253)	-	57,666	(60,166)	-	-	(2,500)	-	-
Child Care Food Program	10.558	N/A	-	7/1/13 6/30/14	-	-	253	-	-	-	-	-	-
Fresh Fruits and Vegetable Program	10.582	N/A	31,229	7/1/14 6/30/15	-	-	31,229	(31,229)	-	-	-	-	-
Total Enterprise Fund			664,970		(50,283)	-	664,970	(672,550)	-	-	(57,863)	-	-
Total Federal Financial Awards			\$ 1,362,618		\$ (50,283)	\$ -	\$ 1,362,618	\$ (1,569,543)	\$ -	\$ -	\$ (257,208)	\$ -	\$ -

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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		Due to Grantor	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2015			MEMO	
			From	To						Deferred Revenues (Accounts Receivable)	Accounts Receivable	Deferred Revenues Payable		Due to Grantor
State Department of Education														
General Fund:														
Local Levy State Share - Charter School Aid	15-495-034-5120-071	\$ 12,564,472	7/1/14	6/30/15	\$ -	\$ -	\$ 12,564,472	\$ (12,564,472)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,564,472
Special Education Aid	15-495-034-5120-069	258,791	7/1/14	6/30/15	-	258,791	(258,791)	(258,791)	-	-	-	-	-	258,791
Security Aid	15-495-034-5120-064	454,481	7/1/14	6/30/15	-	454,481	(454,481)	(454,481)	-	-	-	-	-	454,481
On-Behalf TPAF Pension Contributions	15-495-034-5094-006	709,076	7/1/14	6/30/15	-	709,076	(709,076)	(709,076)	-	-	-	-	-	709,076
Reimbursed TPAF - Social Security	15-495-034-5094-003	486,534	7/1/14	6/30/15	-	486,534	(486,534)	(486,534)	-	-	-	-	-	486,534
Total General Fund						14,473,354	(14,473,354)							14,473,354
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State Share)	15-100-010-3350-023	7,678	7/1/14	6/30/15	(1,101)	6,794	(7,678)	(884)	(884)	-	-	-	-	7,678
National School Lunch Program (State Share)	14-100-010-3350-023	8,141	7/1/13	6/30/14	(1,101)	1,101	-	-	-	-	-	-	-	-
Total Enterprise Fund						7,895	(7,678)	(884)	(884)	-	-	-	-	7,678
Total State Financial Assistance						\$ 14,481,249	\$ (14,481,032)	\$ (884)	\$ (884)	\$ -	\$ -	\$ -	\$ -	\$ 14,481,032
State Financial Assistance Not Subject to Major Program Determination:														
General Fund:														
On-Behalf TPAF Pension Contributions	15-495-034-5094-006	709,076	7/1/14	6/30/15	-	(709,076)	(709,076)	(709,076)	-	-	-	-	-	(709,076)
Total State Financial Assistance Subject to Single Audit						\$ 13,772,173	\$ (13,771,956)	\$ (884)	\$ (884)	\$ -	\$ -	\$ -	\$ -	\$ 13,771,956

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2015

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, Paterson Charter School for Science and Technology. 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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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	\$ -	\$ 14,473,354	\$ 14,473,354
Special Revenue Fund	896,993		896,993
Food Service Fund	641,321	38,907	680,228
Total Awards & Financial Assistance	<u>\$ 1,538,314</u>	<u>\$ 14,512,261</u>	<u>\$ 16,050,575</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

Paterson Charter School for Science and Technology has no loan balances outstanding at June 30, 2015.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2015

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	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 694,317
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	5,975
Total	\$ 700,292

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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 Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	No Child Left Behind Cluster:
<u>84.010A</u>	<u>Title I Part A</u>
<u>84.367A</u>	<u>Title II Part A</u>
<u>10.553</u>	<u>National School Breakfast Program</u>
<u>10.555</u>	<u>National School Lunch Program</u>
_____	_____

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

Auditee qualified as low-risk auditee? X Yes _____ No

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results (Continued)

State Awards

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

Auditee qualified as low-risk auditee? Yes No

Internal control over major programs:

1) Material weakness(es) identified? Yes No

2) Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04? Yes No

Identification of major state programs:

GMIS Number(s)	Name of State Program
<u>15-495-034-5120-071</u>	<u>Local Levy – State Share</u>
<u>15-495-034-5120-084</u>	<u>Security Aid</u>
<u>15-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security</u>
_____	_____

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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 OMB Circular A-133 audit. See paragraphs 13.15 and 13.35.

Finding

There were no matters reported.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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

This section identifies audit findings required to be reported by section .510(a) of OMB Circular A-133 and New Jersey OMB Circular 04-04.

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Summary Schedule of Prior Year Audit Findings
And Questioned Costs As Prepared by Management
For the Fiscal Year Ended June 30, 2015

STATUS OF PRIOR-YEAR FINDINGS

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

Findings

There were no matters reported.