

M.E.T.S. CHARTER SCHOOL

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

M.E.T.S. Charter School

Jersey City, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

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

M.E.T.S. CHARTER SCHOOL
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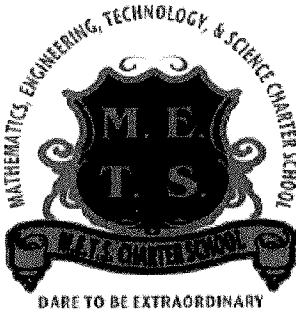
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INTRODUCTORY SECTION



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Mr. Ian Fallstich – Lead Administrator & CEO
 Ms. Madelyn Dullea - Assistant Lead Administrator
 Mr. Robert Clark – School Business Administrator & Board Secretary

November 11, 2016

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

Dear Board Members:

The comprehensive annual financial report of M.E.T.S. Charter School (the "Charter School") for the fiscal year ended June 30, 2016, is hereby submitted. 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 (the "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 basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart, roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, 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 supplementary 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 Charter School is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports 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.

1) REPORTING ENTITY AND ITS SERVICES:

M.E.T.S. Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. M.E.T.S. Charter School constitutes the Charter School's reporting entity.

The mission of M.E.T.S. Charter School is to prepare all students to be the best they can be and highly proficient in the areas of mathematics, engineering, science and technology. We challenge all students to be extraordinary.

The vision of M.E.T.S. Charter School is to prepare students to excel in college and other postsecondary education programs. We are committed to early college education for all students, allowing them to complete up to 60 college credits before high school graduation.

M.E.T.S. Charter School is a college preparatory school. Our design is one that facilitates dual enrollment, largely based on the early college high school strategy proposed by the Woodrow Wilson Foundation and Jobs for the Future. This approach affords our students opportunities to earn college credits before they graduate high school, so they are already on the path to higher education matriculation and a college degree.

The Honorable President and Members
of the Board of Trustees
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M.E.T.S. currently partners with Hudson County Community College, New Jersey City University, Rutgers University and the University of Texas. According to research findings published by Jobs for the Future, this approach “enables more students, particularly low-income and minority students, to experience rigorous high school and college coursework that leads to improved outcomes.” Jobs for the Future has reported that 90% of students in early college design high schools graduate, compared to 78% nationally, and in one longitudinal study of 10 early college design high schools, it was found that 81% of early college high school students enroll in college, with a quarter of them earning a four year college degree in two years or less past high school.

M.E.T.S. is a data-driven institution. Our curricula, lesson planning, assessments, professional development and culture are all driven by the data gleaned from our weekly and quarterly common school assessments, Seasonal adaptive MAP assessments, New Jersey state (i.e., NJASK, HSPA, BCT) and national (PSAT, SAT, Accuplacer) assessments.

M.E.T.S. Charter School’s Curriculum is fully aligned to the NJ Core Curriculum Content and Common Core State Standards. Teachers also reference guiding documents from the National Council of Teachers of Mathematics (NCTM) and National Science Teachers Association (NSTA) as well as resource materials developed by high performing national charter schools.

English: In addition to our balanced literacy program, we actively integrate the foundation skills and strategies of literacy across all subject areas. English instruction frequently integrates the Socratic seminar approach. Grounded in a text, the leader asks open-ended questions to frame a formal discussion. Students learn and are expected to listen closely to the comments of others, thinking critically for themselves, and articulating their own thoughts and their responses to others. They learn to work cooperatively, to question intelligently and civilly and to work together to explore and construct meaning.

Social Studies: Our social studies curriculum is rich in authentic literature connections through thematic units, providing students with the concrete tools and historical knowledge to embark on a life of global citizenship. Additionally, persuasive writing founded in the citation of historical and textual evidence is the basis of our social studies assessment protocol.

Science, Technology, Engineering and Mathematics (STEM): M.E.T.S. continues to develop its commitment to and focus on STEM subject areas. Our long-term partnership with Liberty Science Center and the New Jersey Center for Teaching and Learning (NJCTL) is a critical force in the development of our research-based curriculum across all STEM content areas. We have more recently increased and improved our experiential field trips to the Center and created a set of capstone events to culminate the end of each school year.

Science instruction is organized around grade-level themes where students employ the scientific process and engage in hands-on exploration. As one example, we have integrated the Trout in the Classroom program into the 6th grade environment and ecology unit.

Physics First: To build fundamental problem-solving, math and 21st century skills, our 8th and 9th grade students take physics, serving as a foundation for more advanced courses in chemistry and biology. Marge Bardeen, manager of the Fermi National Accelerator Laboratory Education Office, asserts that, “people do not understand that science is a way of approaching problems, rather than a body of knowledge. As a result, they are often unable to assess claims and counter claims as they make choices on critical issues that face them as citizens.”

The Honorable President and Members
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Mathematics instruction at M.E.T.S. Charter School establishes an important balance between skill mastery and conceptual understanding.

Technology access and utilization has been greatly expanded, bringing the number of wirelessly connected student devices to 600 - more than one per student.

The School has launched an engineering design program at the high school level and a computer programming/coding program at the middle school and high school level. Utilizing components from PLTW (Project Lead The Way) and FIRST (For Inspiration and Recognition of Science and Technology) Robotics.

In addition, M.E.T.S. offers a comprehensive before school and after-school program Monday through Friday, from 7:00-7:55 am and 3:00-6:00 pm respectively, and special programming that extends into the evenings and weekends. Morning programs include homework help and computer access.

After School programs include but are not limited to homework, academic enrichment and technology support

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

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2015-2016	479.2	-8.41%
2014-2015	523.2	9.09%
2013-2014	479.6	21.20%
2012-2013	395.7	26.18%
2011-2012	313.6	100.00%

2) MAJOR INITIATIVES:

To achieve our mission we will continue to increase academic rigor across all content areas, prepare our students to make it to and through college successfully and improve the way we use data to drive instruction. We continue to foster a climate and culture of high expectations and strengthen our financial and operational management.

3) ECONOMIC CONDITION AND OUTLOOK:

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

The Honorable Chairperson and Members
of the Board of Trustees
M.E.T.S. Charter School
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4) INTERNAL ACCOUNTING CONTROLS:

Management of the Charter School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 awards, the Charter School also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the Charter School's management.

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

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 the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2016.

6) ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

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

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, and special revenue fund for the fiscal years ended June 30, 2016 and 2015.

The Honorable Chairperson and Members
of the Board of Trustees
M.E.T.S. Charter School
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	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>% change</u>
<u>Revenue</u>				
Local Sources	\$ 1,606,653	\$ 193,551	\$ 1,413,102	730.09%
State Sources	5,047,452	6,558,659	(1,511,207)	-23.04%
Other Sources		576,415	(576,415)	-100.00%
Federal Sources	717,895	394,670	323,225	81.90%
Total	<u>\$ 7,372,000</u>	<u>\$ 7,723,295</u>	<u>\$ (351,295)</u>	

The amount of monies received from local sources is determined by the per pupil cost of the Jersey City Public School District. We received 90% of this cost in accordance with current statute. M. E. T. S. received monies from federal and state sources attributable to grants and aids for instruction and administrative expenses for fiscal year ended June 30, 2016. The federal funds consisted of "No Child Left Behind" (NCLB), including Title I, and II, as well as IDEA Part B for students identified with special needs.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal years ended June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Expenditures</u>				
Instruction	\$ 3,521,959	\$ 3,487,818	\$ 34,141	0.98%
Undistributed Expenditures	4,294,396	3,581,250	713,146	19.91%
Capital Outlay		261,545	(261,545)	100.00%
Total	<u>\$ 7,816,355</u>	<u>\$ 7,330,613</u>	<u>\$ 485,742</u>	

The changes in expenditures between 2016 and 2015 were primarily due to low enrollment. For the fiscal year ending June 30, 2016, the significant portion of our expenditures were based upon our increased faculty and other operating costs.

8) CASH MANAGEMENT:

The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. Our funds are presently deposited in PNC Bank N.J., in compliance with the state regulations.

The Honorable Chairperson and Members
of the Board of Trustees
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9) RISK MANAGEMENT:

The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds, worker's compensation and student insurance. A schedule of insurance coverage is found on Exhibit J-20.

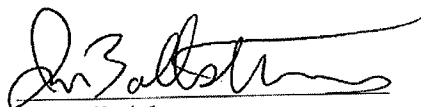
10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was appointed by the Charter School's Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

11) ACKNOWLEDGMENTS:

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

Respectfully submitted,

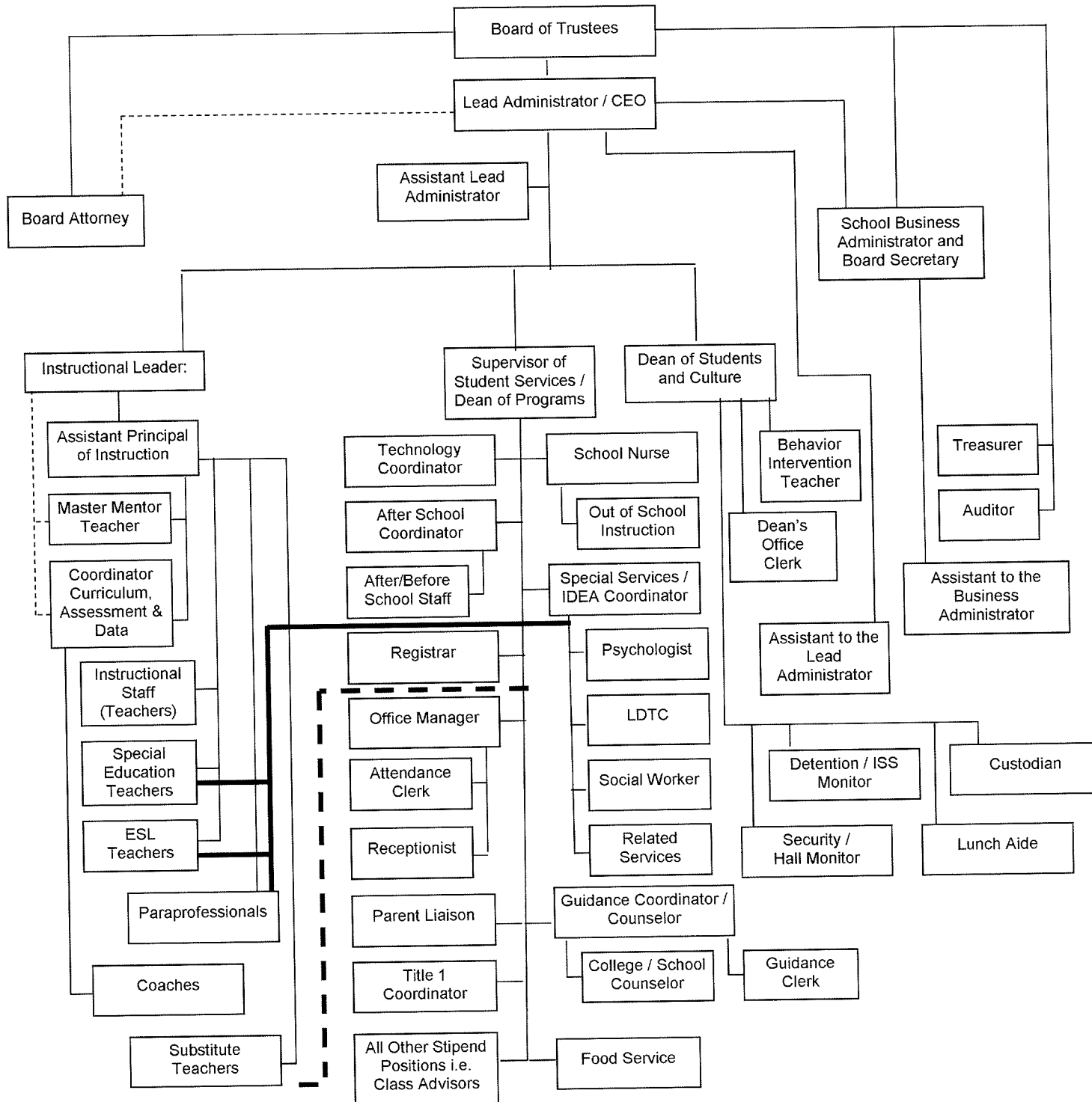


Ian Fallstich
Lead Administrator



Robert T. Clark
School Business Administrator/Board Secretary

M.E.T.S. Charter School



M.E.T.S. CHARTER SCHOOL
ROSTER OF OFFICIALS
JUNE 30, 2016

<u>Members of the Board of Trustees:</u>	<u>Expiration of Term</u>
Jeffrey Spangler, President	2017
Anita Spence, Vice President	2017
Elenor Ayala	2019
Richard Borkowski	2018
Leah DeLeon	2019
Irene Hall	2017
Sandy Rubin	2018

Other OfficialsTitle

Ian Fallstich

Lead Administrator

Robert Clark

Business Administrator/Board Secretary

M.E.T.S. CHARTER SCHOOL

Consultants and Advisors

Audit Firm

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Mount Arlington, NJ, 07856

and

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Attorneys

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Wilentz Goldman & Spitzer, PA

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Official Depository

PNC Bank

Newark, NJ 07631

FINANCIAL SECTION



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mathematics, Engineering, Technology, and Science (M.E.T.S) Charter School of Jersey City (the "Charter School") in the County of Hudson, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School'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 Charter School'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.

The Honorable President and Members
of the Board of Trustees
M.E.T.S. Charter School
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Basis for Qualified Opinion on Governmental Activities

As discussed in Note 4 to the financial statements, the District had not recorded the capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the capital assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, because of the significance of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the M.E.T.S. Charter School as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the M.E.T.S. Charter School as of June 30, 2016 and the respective changes in 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.

Other Matters

The financial statement of the M.E.T.S. Charter School as of June 30, 2015 were audited by another auditor whose report dated November 23, 2015 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable President and Members
of the Board of Trustees
M.E.T.S. Charter School
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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, 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 accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has 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.

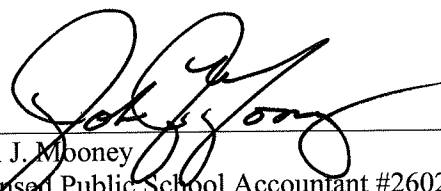
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

November 11, 2016
Mount Arlington, New Jersey

NISIVOCIA LLP

NISIVOCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

This section of M.E.T.S. Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

Financial Highlights

- The financial position of the Charter School decreased significantly during the current fiscal year.
- Overall revenue was \$7,729,008 and overall expenses were \$8,232,180.
- The school was not enrolled to capacity causing a significant loss of revenue.

Overview of the Financial Statements

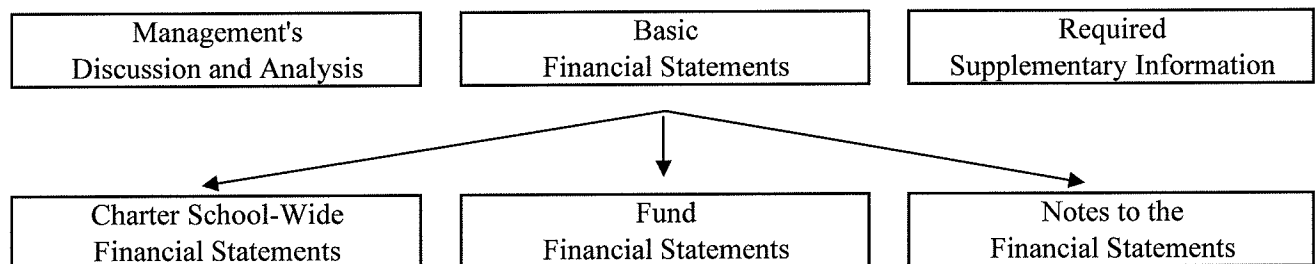
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are *charter school-wide financial statements* that provide both *short-term* and *long-term* information about the Charter School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the School's operations in *more* detail than the Charter School-Wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the School operates like a business, such as food services and the before and after school program.
- *Fiduciary funds statements* provide information about the financial relationships in which the Charter School acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Charter School's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of The M.E.T.S Charter School's Financial Report



**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Figure A-2***Major Features of the Charter School-Wide and Fund Financial Statements***

	Charter School-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Charter School (except fiduciary funds)	The activities of the entity that are not proprietary or fiduciary, such as special education and building maintenance	Activities the entity operates similar to private businesses. (Not Applicable)	Instances in which the entity administers resources on behalf of someone else, such as Student Activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • 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, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Charter School-wide Statements

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

The two charter school-wide statements report the Charter School's *net position* and how it has changed. Net position— the difference between the Charter School's assets, deferred inflows and outflows, and liabilities – is one way to measure the Charter School's financial health or *position*.

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

In the charter school-wide financial statements, the School's activities are divided into the following category:

- *Governmental activities:* Most of the Charter School's basic services are included here, such as regular and special education, transportation and administration. Local Levy – Charter School Aid and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Charter School's funds, focusing on its most significant or "major" funds – not the Charter School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Charter School establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The School has two kinds of funds:

- *Governmental funds:* Most of the Charter School's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs. Because this information does not encompass the additional long-term focus of the charter school-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Fund Financial Statements (Cont'd)

- *Fiduciary funds:* The Charter School is the trustee, or *fiduciary*, for assets that belong to others, such as payroll agency funds. The Charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Charter School excludes these activities from the charter school-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the charter school-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the School as a Whole

Net Position. The Charter School's *combined* net position was \$314,520 on June 30, 2016, \$503,172 or 61.54% less than it was the year before. (See Figure A-3).

**Figure A-3
Condensed Statement of Net Position**

	Government Activities		Percentage
	2015/2016	2014/2015	Change
Current and Other Assets	\$ 946,699	\$ 1,597,569	-40.74%
Total Assets	<u>946,699</u>	<u>1,597,569</u>	-40.74%
Deferred Outflows of Resources	<u>355,646</u>	<u>329,420</u>	7.96%
Other Liabilities	282,138	552,250	-48.91%
Long-Term Liabilities	<u>596,199</u>	<u>525,717</u>	13.41%
Total Liabilities	<u>878,337</u>	<u>1,077,967</u>	-18.52%
Deferred Inflows of Resources	<u>109,488</u>	<u>31,330</u>	249.47%
Net Position:			
Restricted	25,000		100.00%
Unrestricted	<u>289,520</u>	<u>817,692</u>	-64.59%
Total Net Position	<u>\$ 314,520</u>	<u>\$ 817,692</u>	-61.54%

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Changes in Net Position. The Charter School's net position decreased \$503,172 during the year. Restricted net position increased \$25,000 as a result of the accrual required for School Escrow. Unrestricted net position decreased \$528,172 primarily due to increased expenses for instruction and plant operations and maintenance.

**Figure A-4
Change in Net Position from Operating Results**

	Governmental Activities		Percentage
	2015/2016	2014/2015	Change 2015/2016
Revenue:			
Program Revenue:			
Operating Grants and Contributions	\$ 1,301,579	\$ 402,170	223.64%
General Revenue:			
Local Property Taxes - Charter School Aid	1,578,505	82,079	1823.15%
Unrestricted Federal and State Aid	4,820,776	6,558,659	-26.50%
Special Item - Adjustment for Pension Treatment		(227,627)	-100.00%
Other	28,148	103,972	-72.93%
Total Revenue	<u>7,729,008</u>	<u>6,919,253</u>	11.70%
Expenses:			
Instruction	4,984,611	3,487,818	42.91%
Student & Instruction Related Services		1,525,950	-100.00%
General Administration Services	1,069,737		100.00%
School Administration Services	1,307,534	1,478,885	-11.59%
Plant Operations and Maintenance	831,676		100.00%
Pupil Transportation	38,622		100.00%
Capital Outlay		261,545	-100.00%
Total Expenses	<u>8,232,180</u>	<u>6,754,198</u>	26.79%
Increase/(Decrease) in Net Position	<u>\$ (503,172)</u>	<u>\$ 165,055</u>	-217.95%

Revenue Sources. The Charter School's total revenue for the 2015-2016 school year was \$7,729,008. (See Figure A-5). Charter School Aid (Local) and Unrestricted Federal and State Aid accounted for most of the Charter School's revenue 82.80% (See Figure A-5). Another 16.84% came from operating grants and contributions, and the remaining 0.36% came from miscellaneous sources.

**Figure A-5
Sources of Revenue for Fiscal Year 2016**

Sources of Income	2016	Percentage
Local Property Taxes - Charter School Aid	\$ 1,578,505	20.42%
Unrestricted Federal and State Aid	4,820,776	62.38%
Operating Grants and Contributions	1,301,579	16.84%
Other	28,148	0.36%
	<u>\$ 7,729,008</u>	<u>100.00%</u>

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Expenses. The total cost of all programs and services was \$8,232,180. The Charter School's expenses are predominantly related to student instruction (60.56%). (See Figure A-6). The Charter School's general administrative and school administrative expenses accounted for 28.87% of total costs. The remaining 10.57% of expenses were related to operations and maintenance and pupil transportation.

**Figure A-6
Expenses for Fiscal Year 2016**

Expense Category	2016	Percentage
Instruction	\$ 4,984,611	60.56%
General Administration Services	1,069,737	12.99%
School Administration Services	1,307,534	15.88%
Plant Operations and Maintenance	831,676	10.10%
Pupil Transportation	38,622	0.47%
	<u>\$ 8,232,180</u>	<u>100.00%</u>

Governmental Activities

The financial position of the Charter School decreased significantly over the course of the year. Through careful budgeting, the Charter School has managed to maintain programs. Careful management of expenses remains essential for the Charter School to sustain its financial health.

Figure A-7 presents the cost of six major Charter School activities: instruction, general administration, school administration, support services, plant operations and maintenance and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs):

**Figure A-7
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 4,984,611	\$ 3,487,818	\$ 3,683,032	\$ 3,085,648
Student & Instruction Related Services		1,525,950		1,525,950
General Administration Services	1,069,737		1,069,737	
School Administration Services	1,307,534	1,478,885	1,307,534	1,478,885
Plant Operations and Maintenance	831,676		831,676	
Pupil Transportation	38,622		38,622	
Capital Outlay		261,545		261,545
Total	<u>\$ 8,232,180</u>	<u>\$ 6,754,198</u>	<u>\$ 6,930,601</u>	<u>\$ 6,352,028</u>

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Governmental Activities

- The cost of all governmental activities this year was \$8,232,180.
- A significant portion - \$6,122,355 - of the Charter School's activities were subsidized by the federal and state grants and aid.
- A portion of the governmental activities were financed with \$1,578,505 through amounts raised by local school district tax levies and transferred to the Charter School in the form of Charter School Aid.

Financial Analysis of the Charter School's Funds

The Charter School's financial position decreased on a fund basis. This is primarily due to expenses exceeding revenues and fund balance used to support the 2015-2016 budget. The primary reason for expenses exceeding revenues is the school was not enrolled to the capacity of its charter in the current year.

General Fund Budgetary Highlights

Over the course of the year, the Charter School revised the annual operating budget several times. These budget amendments represented changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment. The original budget was not aligned to the staffing needs nor were many areas of the budget including administration.

Long-term Liabilities

At year-end, the Charter School has \$486,647 of net pension liability and \$109,552 in compensated absences – as shown in Figure A-8. (More detailed information about the Charter School's long-term liabilities is presented in the Notes to the Basic Financial Statements, Note 6).

Figure A-8

Outstanding Long-Term Liabilities

	Total School District		Percentage
	2015/16	2014/15	Change 2015/16
Net Pension Liability	\$ 486,647	\$ 525,717	-7.43%
Compensated Absences	109,552	109,552	100.00%
	<u>\$ 596,199</u>	<u>\$ 525,717</u>	13.41%

- Compensated absences were not reported in the prior year audit.

Factors Bearing on the Charter School's Future

The State of New Jersey continues to face serious budgetary constraints. This has impacted the amount of state aid allocated to charter schools. This reality was taken into account when adopting the General Fund budget for 2016-2017. Every effort was directed to providing quality education to the community. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs needed to meet New Jersey's Core Curriculum Content Standards.

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Contacting the District's Financial Management

This financial report is designed to provide the Charter School's students, parents, sending school districts, customers and investors and creditors with a general overview of the School's finances and to demonstrate the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter School Office, 211 Sherman Ave. Jersey City, New Jersey 07030.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

Exhibit A-1

M.E.T.S. CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 636,858
Interfund Receivable	47,953
Receivable from Local Governments	41,189
Receivable from State Government	11,645
Receivable from Federal Government	209,054
Total Assets	946,699
DEFERRED OUTFLOWS OF RESOURCES	
Changes in Assumptions - Pensions	52,262
Changes in Proportion - Pensions	255,371
Difference Between Expected and Actual Experience - Pensions	11,610
District Contribution Subsequent to the Measurement Date - Pensions	36,403
Total Deferred Outflows of Resources	355,646
LIABILITIES	
Accounts Payable	188,401
Payable to Local Governments	89,184
Payable to Federal Government	4,553
Noncurrent Liabilities:	
Due Beyond One Year	596,199
Total Liabilities	878,337
DEFERRED INFLOWS OF RESOURCES	
Investment Gains - Pensions	7,824
Changes in Proportion - Pensions	101,664
Total Deferred Inflows of Resources	109,488
NET POSITION	
Restricted for:	
Charter School Escrow	25,000
Unrestricted	289,520
Total Net Position	\$ 314,520

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit A-2

M.E.T.S. CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u> <u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$ 4,785,337	\$ 1,174,050	\$ (3,611,287)
Special Education	151,437	124,379	(27,058)
Other Instruction	47,837	3,150	(44,687)
Support Services:			
General Administration Services	1,069,737		(1,069,737)
School Administration Services	1,307,534		(1,307,534)
Plant Operations and Maintenance	831,676		(831,676)
Pupil Transportation	38,622		(38,622)
Total Governmental Activities	<u>8,232,180</u>	<u>1,301,579</u>	<u>(6,930,601)</u>
Total Primary Government	<u>\$ 8,232,180</u>	<u>\$ 1,301,579</u>	<u>(6,930,601)</u>
General Revenue:			
Taxes:			
Local Property Taxes - Charter School Aid			1,578,505
Unrestricted Federal and State Aid			4,820,776
Investment Earnings			151
Miscellaneous Income			27,997
Total General Revenue			<u>6,427,429</u>
Change in Net Position			(503,172)
Net Position - Beginning			<u>817,692</u>
Net Position - Ending			<u>\$ 314,520</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

M.E.T.S. CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 636,858		\$ 636,858
Interfund Receivable:			
Special Revenue Fund	78,224		78,224
Fiduciary Funds	47,953		47,953
Intergovernmental Receivable:			
Federal		\$ 209,054	209,054
State	11,645		11,645
Other	41,189		41,189
Total Assets	<u>\$ 815,869</u>	<u>\$ 209,054</u>	<u>\$ 1,024,923</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 25,721	\$ 126,277	\$ 151,998
Payable to Federal Government		4,553	4,553
Payable to Local Government	89,184		89,184
Interfund Payable:			
General Fund		78,224	78,224
Total Liabilities	<u>114,905</u>	<u>209,054</u>	<u>323,959</u>
Fund Balances:			
Restricted:			
Charter School Escrow	25,000		25,000
Assigned:			
Year End Encumbrances	21,517		21,517
Unassigned:			
General Fund	654,447		654,447
Total Fund Balances	<u>700,964</u>		<u>700,964</u>
Total Liabilities and Fund Balances	<u>\$ 815,869</u>	<u>\$ 209,054</u>	

M.E.T.S. CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Amounts Reported for <i>Governmental Activities</i> in the <i>Statement of Net Position</i> (Exhibit A-1) are different because:			
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			\$ (109,552)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.			(486,647)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:			
Changes in Assumptions - Pensions			52,262
Investment Gains - Pensions			(7,824)
Changes in Proportions - Pensions			255,371
Difference Between Expected and Actual Experience - Pensions			11,610
Changes in Proportions - Pensions			(101,664)
Net Position of Governmental Activities			\$ 314,520

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-2

M.E.T.S. CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Charter School Aid	\$ 1,578,505		\$ 1,578,505
Miscellaneous	28,148		28,148
Total - Local Sources	1,606,653		1,606,653
State Sources	5,047,452		5,047,452
Federal Sources		\$ 717,895	717,895
Total Revenue	6,654,105	717,895	7,372,000
EXPENDITURES:			
Current:			
Regular Instruction	2,898,024	456,223	3,354,247
Special Education Instruction	34,340	93,186	127,526
School-Sponsored Cocurricular Activities - Instruction	40,186		40,186
General Administration Services	788,170	168,486	956,656
School Administration Services	1,016,468		1,016,468
Custodial Services	831,676		831,676
Student Transportation Services	38,622		38,622
Unallocated Employee Benefits	1,350,974		1,350,974
Total Expenditures	6,998,460	717,895	7,716,355
Deficit of Revenue under Expenditures	(344,355)		(344,355)
Fund Balance—July 1	1,045,319		1,045,319
Fund Balance—June 30	\$ 700,964	\$ - 0 -	\$ 700,964

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-3

M.E.T.S. CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$ (344,355)
<p>Amounts Reported for <i>Governmental Activities</i> in the <i>Statement of Activities</i> (Exhibit A-2) are Different Because:</p>	
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>	
	(109,552)
<p>The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:</p>	
Change in Net Pension Liability	39,070
Deferred Outflows:	35,731
Changes in Assumptions	(57,518)
Changes in Proportion	11,610
Difference between Expected and Actual Experience	
Deferred Inflows:	(101,664)
Changes in Proportion	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	23,506
	23,506
Change in Net Position (from Exhibit A-2)	\$ (503,172)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

M.E.T.S. CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency</u>		<u>Total</u>
	<u>Payroll</u>	<u>Student Activities</u>	
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 172,652	\$ 11,477	\$ 184,129
Total Assets	<u>\$ 172,652</u>	<u>\$ 11,477</u>	<u>\$ 184,129</u>
<u>LIABILITIES:</u>			
Due to Student Groups		\$ 10,950	\$ 10,950
Interfund Payable:			
General Fund	\$ 47,426	527	47,953
Payroll Deductions and Withholdings	<u>125,226</u>		<u>125,226</u>
Total Liabilities	<u>\$ 172,652</u>	<u>\$ 11,477</u>	<u>\$ 184,129</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Trustees (the "Board") of Mathematics, Engineering, Technology, and Science (M.E.T.S) Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. A Director is appointed by the Board and is responsible for the administrative control of the Charter School.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and Schools by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were 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.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the Charter School's governmental activities. These statements include the financial activities of the overall Charter School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with and 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. Program revenue includes (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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the Charter School.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The Charter School reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not accounted for and reported 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 NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, 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.

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

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes the Payroll Agency, and the Student Activity Agency Funds.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The Charter School reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not accounted for and reported 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 NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, 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.

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

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes the Payroll Agency, and the Student Activity Agency Funds.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting

The Charter School-Wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes (in the form of Charter School Aid) is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. 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. 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.

It is the Charter School's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the Charter School the entire balance of aid in the amount reported to each district by the State Department of Education. The School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. 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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,654,105	\$ 717,895
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 6,654,105	\$ 717,895
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,998,460	\$ 717,895
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 6,998,460	\$ 717,895

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type 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 school districts. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments: (Cont'd)

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 depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of 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.

F. Interfund Transactions:

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

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

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent 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.

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

K. Capital Assets:

During the Charter School's initial year a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The Charter School does not possess any infrastructure. The Charter School has reviewed capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-Wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Building Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities:

In the Charter School-Wide statements of net position, long-term debt and other long-term obligations are reported as liabilities in government activities. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

In the Charter School-Wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

M. Accrued Salaries and Wages:

Certain Charter School employees, who provide services to the Charter School over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2016, there were no accrued salaries.

N. Compensated Absences:

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

Employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's policies and employee contracts. Upon separation, certain employees are paid for accrued vacation. Employees can also accumulate unused sick leave which will be paid, with certain limits, upon the employee's retirement pursuant to the Charter School's policy or employee contracts.

In the Charter School-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due after one year.

O. Unearned Revenue:

Unearned revenue represents cash and/or commodities which have been received but not yet earned. See Note (1D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: Of the \$700,964 General Fund balance at June 30, 2016, \$25,000 is restricted for Charter School escrow, \$21,517 is assigned for year end encumbrances, and \$654,447 is unassigned.

Q. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Position: (Cont'd)

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2016 for the changes in assumptions in pensions, the changes in proportions for pensions, the difference between expected and actual pension experience and the district contribution subsequent to the measurement date related to pensions.

The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

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

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has funds restricted at June 30, 2016 for Charter School Escrow.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2016.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has \$21,517 of assigned resources at June 30, 2016 for year-end encumbrances.

S. Revenue - Exchange and Nonexchange Transactions:

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes (in the form of Charter School Aid), interest and tuition.

T. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

U. 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 position 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.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and Charter School-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Charter School classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosure*, requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Charter School ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the investment section of this note.

Custodial Credit Risk – The Charter School's policy with respect to custodial credit risk requires that the Charter School ensures that Charter School funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits: (Cont'd)

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

Investments:

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

- (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 not dependent on any index or other external factor;
- (4) 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 local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

As of June 30, 2016, cash and cash equivalents of the Charter School consisted of the following:

	Cash and Cash Equivalents
Checking & Savings Accounts	\$ 820,987

During the period ended June 30, 2016, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents at June 30, 2016, was \$820,987 and the bank balance was \$1,027,657.

NOTE 4. CAPITAL ASSETS

Capital assets were not reported by the District as of June 30, 2016.

NOTE 5. POST-RETIREMENT 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. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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 premiums 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 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2014.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combinedpdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the Charter School amounted to \$184,838, \$113,919, and \$88,033 for 2016, 2015, and 2014, respectively.

M.E.T.S. CHARTER SCHOOL,
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in long-term liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
Compensated Absences Payable		\$ 109,552		\$ 109,552
Net Pension Liability	\$ 525,717		\$ 39,070	486,647
	<u>\$ 525,717</u>	<u>\$ 109,552</u>	<u>\$ 39,070</u>	<u>\$ 596,199</u>

A. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$486,647. See Note 7 for more information on PERS.

B. Compensated Absences Payable

The Charter School's compensated absences payable of its Governmental activities will be liquidated through the General Fund. There is no current portion payable; therefore, the entire balance of \$109,552 as of June 30, 2016 is included in the long-term portion of long-term liabilities.

NOTE 7. PENSION PLANS

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

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/annrprts.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:

<u>Tier</u>	<u>Definition</u>
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 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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

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 age 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 reaching age 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 or 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 at 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 requires 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 the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$18,650 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. 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

At June 30, 2016, the Charter School reported a liability of \$486,647 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the Charter School's proportion was 0.002%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the Charter School recognized pension expense of \$67,901. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 10,417	
Changes in Assumptions - 2015	5.72	41,845	
Changes in Proportion - 2014	6.44	255,371	
Changes in Proportion - 2015	5.72		\$ 101,664
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		18,141
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(10,317)
Difference Between Expected and Actual Experience - 2015	5.72	11,610	
District Contribution Subsequent to the Measurement Date - 2015	1	36,403	
		<u>\$ 355,646</u>	<u>\$ 109,488</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ 10,203
2017	10,203
2018	10,204
2019	16,251
2020	9,187
	<u>\$ 56,048</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

Inflation Rate	3.04%
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 Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. 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 3.80% as of June 30, 2015 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 of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF)

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, 2015 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, 2015		
	1%	Current	1%
	Decrease (3.90%)	Discount Rate (4.90%)	Increase (5.90%)
Charter School's proportionate share of the Net Pension Liability	\$ 604,842	\$ 486,647	\$ 387,552

Pension Plan Fiduciary Net Position

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

Plan Description

The State of New Jersey, Teachers' 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 to 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/annrprts.shtml.

Benefits Provided

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
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 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, 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 year ended 2016, the State of New Jersey contributed \$155,232 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$512,240.

The employee contribution rate was 7.06% effective July 1, 2015. 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.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the Charter School was \$8,389,255. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the Charter School's proportion was 0.013%, which was an increase of 0.0009% from its proportion measured as of June 30, 2014.

Charter School's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>8,389,255</u>
Total	<u>\$ 8,389,255</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the Charter School in the amount of \$512,240 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	<u>Ammortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2015	5		<u>(770,568,242)</u>
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 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 plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 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 pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

The following presents the State's proportionate share of the net pension liability associated with the Charter School as of June 30, 2015 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, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 9,970,316	\$ 8,389,255	\$ 7,027,077

Pension Plan Fiduciary Net Position

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

NOTE 8. 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 provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

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. The Charter School maintains the Unemployment Compensation Insurance Trust Fund in its payroll agency account.

Fiscal Year	Employer/ Employee Contributions	Ending Balance
2015-2016	\$ 9,646	\$ 22,224

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance

The Charter School is a member of the New Jersey Schools Insurance Group (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the Charter School could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Selected, summarized financial information for the Group as of June 30, 2016 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 311,014,416
Net Position	\$ 68,222,364
Total Revenue	\$ 124,872,219
Total Expenses	\$ 113,965,181
Change in Net Position	\$ 10,907,038
Member Dividends	\$ -0-

Financial statements for the Group are available at the Group's Executive Director's Office:

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, NJ 08054
Phone: (609) 386-6060
Fax: (609) 386-8877

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. ECONOMIC DEPENDENCY

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

NOTE 10. DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by AXA Equitable, First Investors, and Primerica Financial Services, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 126,177	
Special Revenue Fund		\$ 78,224
Fiduciary Funds		47,953
	<u>\$ 126,177</u>	<u>\$ 126,177</u>

The interfund receivable in the General Fund consists of funds due from the Fiduciary Funds for expenditures paid on behalf of the Student Activities Fund and an excess of money turned over to the Payroll Agency Fund in error and funds advanced to the Special Revenue Fund for the deficit in cash created by the Federal Grants receivable.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Grant Programs

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The Charter School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the Charter School.

Encumbrances

At June 30, 2016 there were encumbrances in the amount of \$21,517 in the General Fund.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 13. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities as of June 30, 2016 consisted of the following:

	<u>Governmental Funds</u>		<u>Total Governmental Funds</u>	<u>District Contri- bution Subsequent to the Measure- ment Date</u>	<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>			
Vendors	\$ 25,721	\$ 126,277	\$ 151,998		\$ 151,998
State of New Jersey				\$ 36,403	36,403
	<u>\$ 25,721</u>	<u>\$ 126,277</u>	<u>\$ 151,998</u>	<u>\$ 36,403</u>	<u>\$ 188,401</u>

NOTE 14. LEASE OF FACILITIES

On October 23, 2015, M.E.T.S. Charter School entered into a new annual operating lease with St. Paul of the Cross Church to commence on September 1, 2015 to June 30, 2020. The Charter School agrees to pay rent of \$3,500 plus \$1,000 for utilities from September 1, 2015 to June 30, 2016. For the remainder of the contract, the Charter School agrees to pay rent of \$5,000 plus \$1,000 for utilities from July 1, 2016 to June 30, 2020.

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 72,000
June 30, 2018	72,000
June 30, 2019	72,000
June 30, 2020	72,000
Total future minimum lease payments	<u>\$ 288,000</u>

NOTE 15. OPERATING LEASE

The Charter School has commitments to lease copiers under operating leases which expire in 2020. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 9,600
June 30, 2018	9,600
June 30, 2019	9,600
June 30, 2020	5,600
Total future minimum lease payments	<u>\$ 34,400</u>

REQUIRED SUPPLEMENTARY SCHEDULES

M.E.T.S. CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Charter School's proportion of the net pension liability	0.0028079094%	0.0021678854%
Charter School's proportionate share of the net pension liability	\$ 525,717	\$ 486,647
Charter School's covered employee payroll	\$ 189,903	\$ 213,186
Charter School's proportionate share of the net pension liability attributable to the Charter School as a percentage of its covered employee payroll	276.83%	228.27%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

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

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M.E.T.S. CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2015	2016
Contractually required contribution	\$ 23,148	\$ 18,650
Contributions in relation to the contractually required contribution	<u>(23,148)</u>	<u>(18,650)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Charter School's covered employee payroll	\$ 213,186	\$ 218,986
Contributions as a percentage of covered employee payroll	10.86%	8.52%

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

M.E.T.S. CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY ASSOCIATED WITH THE CHARTER SCHOOL
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the Charter School	0.0123871009%	0.0132732412%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,620,502	\$ 8,389,255
Charter School's covered employee payroll	\$ 1,571,024	\$ 2,245,741
State's proportionate share of the net pension liability as a percentage of its covered employee payroll	421.41%	373.56%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

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

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M.E.T.S. CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 356,245	\$ 512,240
Contributions in relation to the contractually required contribution	<u>(71,760)</u>	<u>(155,232)</u>
Contribution deficiency/(excess)	<u>\$ 284,485</u>	<u>\$ 357,008</u>
Charter School's covered employee payroll	\$ 2,245,741	\$ 2,789,251
Contributions as a percentage of covered employee payroll	3.20%	5.57%

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

M.E.T.S. CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Revenues:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 6,199,813	\$ (4,621,308)	\$ 1,578,505	\$ 1,578,505	
Interest				151	\$ 151
Miscellaneous				27,997	27,997
Total - Local Sources	6,199,813	(4,621,308)	1,578,505	1,606,653	28,148
State Sources:					
Local Levy - Charter School Aid - State Share		4,051,051	4,051,051	4,051,051	
Special Education Aid - Charter School Aid	265,272	(38,195)	227,077	227,077	
Security Aid	219,610	(33,970)	185,640	185,640	
On-Behalf TPAF Pension Contributions (Non-Budgeted)				155,232	155,232
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				184,838	184,838
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				243,614	243,614
Total State Sources	484,882	3,978,886	4,463,768	5,047,452	583,684
Total Revenues	6,684,695	(642,422)	6,042,273	6,654,105	611,832
Expenditures:					
Regular Programs - Instruction:					
Grades 6-8 - Salaries of Teachers	1,051,863	(151,232)	900,631	900,518	113
Grades 9-12 - Salaries of Teachers	1,138,110	186,967	1,325,077	1,320,841	4,236
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	273,400	(22,167)	251,233	251,139	94
Purchased Technical Services	24,000	189,653	213,653	213,027	626
Other Purchased Services	12,000	27,200	39,200	39,160	40
General Supplies	202,600	(57,981)	144,619	143,836	783
Textbooks	110,600	(90,525)	20,075	19,242	833
Other Objects	24,000	(9,115)	14,885	10,261	4,624
Total Regular Programs - Instruction	2,836,573	72,800	2,909,373	2,898,024	11,349

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 102,678	\$ (67,678)	\$ 35,000	\$ 34,340	\$ 660
Total Resource Room/Resource Center	<u>102,678</u>	<u>(67,678)</u>	<u>35,000</u>	<u>34,340</u>	<u>660</u>
Total Special Education - Instruction	<u>102,678</u>	<u>(67,678)</u>	<u>35,000</u>	<u>34,340</u>	<u>660</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	27,900	(10,118)	17,782	13,601	4,181
Supplies and Materials		31,090	31,090	26,585	4,505
Total School-Sponsored Cocurricular Activities - Instruction	<u>27,900</u>	<u>20,972</u>	<u>48,872</u>	<u>40,186</u>	<u>8,686</u>
Total Instruction	<u>2,967,151</u>	<u>26,094</u>	<u>2,993,245</u>	<u>2,972,550</u>	<u>20,695</u>
General Administration:					
Salaries	502,000	(24,051)	477,949	477,938	11
Legal Services	75,000	88,000	163,000	154,315	8,685
Audit Fees	30,000	4,050	34,050	34,048	2
BOE Other Purchased Services	24,000	50,624	74,624	57,233	17,391
Communications/Telephone	12,000	(5,560)	6,440	3,548	2,892
General Supplies	35,860	(24,660)	11,200	10,358	842
Miscellaneous Expenses	15,490	38,970	54,460	50,730	3,730
Total General Administration	<u>694,350</u>	<u>127,373</u>	<u>821,723</u>	<u>788,170</u>	<u>33,553</u>
School Administration:					
Salaries of Principals/Assistant Principals/ Program Directors	85,619	88,901	174,520	174,180	340
Salaries of Secretarial and Clerical Assistants	265,728	(11,423)	254,305	252,221	2,084
Other Salaries	532,836	590	533,426	530,605	2,821
Purchased Professional/Technical Services	50,360	(12,000)	38,360	38,003	357
Other Purchased Services	18,000	(14,470)	3,530	2,824	706
Other Objects	22,000	500	22,500	18,635	3,865
Total School Administration	<u>974,543</u>	<u>52,098</u>	<u>1,026,641</u>	<u>1,016,468</u>	<u>10,173</u>

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Custodial Services:					
Rental of Land and Buildings	\$ 600,000	\$ (15,000)	\$ 585,000	\$ 585,000	
Other Purchased Property Services	78,400	(15,860)	62,540	54,431	\$ 8,109
Insurance	97,787	15,200	112,987	112,932	55
Supplies and Materials	20,000	7,800	27,800	21,995	5,805
Energy (Electricity)	91,000	(10,000)	81,000	54,312	26,688
Other Objects	9,000	(2,000)	7,000	3,006	3,994
Total Custodial Services	896,187	(19,860)	876,327	831,676	44,651
Student Transportation Services:					
Other than Between Home and School - Vendors	36,000	8,040	44,040	38,622	5,418
Total Student Transportation Services	36,000	8,040	44,040	38,622	5,418
Unallocated Benefits:					
Social Security Contributions	84,000	6,000	90,000	89,871	129
Other Retirement Contributions - PERS	31,000	(8,000)	23,000	18,650	4,350
Unemployment Compensation		131,751	131,751	112,650	19,101
Health Benefits	741,732	(203,000)	538,732	538,389	343
Other Employee Benefits	124,732	(80,141)	44,591	7,730	36,861
Total Unallocated Benefits	981,464	(153,390)	828,074	767,290	60,784
On-Behalf TPAF Pension Contributions (Non-Budgeted)				155,232	(155,232)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				184,838	(184,838)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				243,614	(243,614)
Total On-Behalf Contributions				583,684	(583,684)

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay:					
Construction Services	\$ 40,000	\$ (40,000)			
Other Objects	20,000	(20,000)			
Total Capital Outlay	<u>60,000</u>	<u>(60,000)</u>			
Total Expenditures	<u>6,609,695</u>	<u>(19,645)</u>	<u>\$ 6,590,050</u>	<u>\$ 6,998,460</u>	<u>\$ (494,131)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,000	(622,777)	(547,777)	(344,355)	203,422
Fund Balance, July 1	<u>1,045,319</u>		<u>1,045,319</u>	<u>1,045,319</u>	
Fund Balance, June 30	<u>\$ 1,120,319</u>	<u>\$ (622,777)</u>	<u>\$ 497,542</u>	<u>\$ 700,964</u>	<u>\$ 203,422</u>
Recapitulation:					
Assigned for Encumbrances				\$ 21,517	
Restricted for Charter School Escrow				25,000	
Unassigned				<u>654,447</u>	
Fund Balance per Governmental Funds GAAP/Budgetary Basis				<u>\$ 700,964</u>	

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
Federal Sources		\$ 849,313	\$ 849,313	\$ 717,895	\$ (131,418)
Total Revenue		849,313	849,313	717,895	(131,418)
Expenditures:					
Instruction:					
Salaries of Teachers		601,032	601,032	529,649	71,383
Purchased Professional/Technical Services		48,076	48,076	19,760	28,316
Total Instruction		649,108	649,108	549,409	99,699
Support Services:					
Salaries		4,000	4,000	4,000	
Personal Services - Employee Benefits		196,205	196,205	164,486	31,719
Total Support Services		200,205	200,205	168,486	31,719
Total Expenditures		849,313	849,313	717,895	131,418
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

M.E.T.S. CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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) "Revenue" from the Budgetary Comparison Schedule	\$ 6,654,105	\$ 717,895
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 6,654,105</u>	<u>\$ 717,895</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,998,460	\$ 717,895
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 6,998,460</u>	<u>\$ 717,895</u>

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

M.E.T.S. CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>No Child Left Behind</u>		<u>Rutgers- Teacher Incentive Grant</u>	<u>Totals June 30, 2016</u>
	<u>Title I</u>	<u>IDEA Part B Basic</u>		
REVENUE:				
Federal Sources	\$ 270,178	\$ 116,427	\$ 331,290	\$ 717,895
Total Revenue	<u>270,178</u>	<u>116,427</u>	<u>331,290</u>	<u>717,895</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	197,685	93,186	238,778	529,649
Purchased Professional/Technical Services	<u>19,760</u>			<u>19,760</u>
Total Instruction	<u>217,445</u>	<u>93,186</u>	<u>238,778</u>	<u>549,409</u>
Support Services:				
Salaries	4,000			4,000
Personal Services - Employee Benefits	<u>48,733</u>	<u>23,241</u>	<u>92,512</u>	<u>164,486</u>
Total Support Services	<u>52,733</u>	<u>23,241</u>	<u>92,512</u>	<u>168,486</u>
Total Expenditures	<u>\$ 270,178</u>	<u>\$ 116,427</u>	<u>\$ 331,290</u>	<u>\$ 717,895</u>

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS
(NOT APPLICABLE)

FIDUCIARY FUNDS

Exhibit H-1

M.E.T.S. CHARTER SCHOOL
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Payroll Agency</u>	<u>Student Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 172,652	\$ 11,477	\$ 184,129
Total Assets	<u>\$ 172,652</u>	<u>\$ 11,477</u>	<u>\$ 184,129</u>
<u>LIABILITIES:</u>			
Due to Student Groups		\$ 10,950	\$ 10,950
Interfund Payable:			
General Fund	\$ 47,426	527	47,953
Payroll Deductions and Withholdings	<u>125,226</u>		<u>125,226</u>
Total Liabilities	<u>\$ 172,652</u>	<u>\$ 11,477</u>	<u>\$ 184,129</u>

M.E.T.S. CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

Exhibit H-3

M.E.T.S. CHARTER SCHOOL
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 31	\$ 15,437	\$ 3,991	\$ 11,477
Interfund Receivable:				
General Fund	<u>89</u>		<u>89</u>	
Total Assets	<u>\$ 120</u>	<u>\$ 15,437</u>	<u>\$ 4,080</u>	<u>\$ 11,477</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 120	\$ 14,842	\$ 4,012	\$ 10,950
Interfund Payable:				
General Fund		<u>595</u>	<u>68</u>	<u>527</u>
Total Liabilities	<u>\$ 120</u>	<u>\$ 15,437</u>	<u>\$ 4,080</u>	<u>\$ 11,477</u>

Exhibit H-4

M.E.T.S. CHARTER SCHOOL
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>June 30, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
M.E.T.S. Charter School: Student Account	\$ 31	\$ 15,437	\$ 4,518	\$ 10,950
Total	<u>\$ 31</u>	<u>\$ 15,437</u>	<u>\$ 4,518</u>	<u>\$ 10,950</u>

Exhibit H-5

M.E.T.S. CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 94,414	\$ 4,899,146	\$ 4,820,908	\$ 172,652
Total Assets	<u>\$ 94,414</u>	<u>\$ 4,899,146</u>	<u>\$ 4,820,908</u>	<u>\$ 172,652</u>
 <u>LIABILITIES:</u>				
Interfund Payable:				
General Fund	\$ 74,468	\$ 47,426	\$ 74,468	\$ 47,426
Payroll Deductions and Withholdings	<u>19,946</u>	<u>4,851,720</u>	<u>4,746,440</u>	<u>125,226</u>
Total Liabilities	<u>\$ 94,414</u>	<u>\$ 4,899,146</u>	<u>\$ 4,820,908</u>	<u>\$ 172,652</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-21

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

M.E.T.S. CHARTER SCHOOL
NET POSITION BY COMPONENT
LAST FIVE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,				
	2012	2013	2014	2015	2016
Governmental Activities:					
Restricted					\$ 25,000
Unrestricted	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	289,520
Total Governmental Activities Net Position	<u>\$ 714,407</u>	<u>\$ 239,431</u>	<u>\$ 652,637</u>	<u>\$ 817,692</u>	<u>\$ 314,520</u>
Entity-Wide:					
Restricted					\$ 25,000
Unrestricted	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	289,520
Total Entity Net Position	<u>\$ 714,407</u>	<u>\$ 239,431</u>	<u>\$ 652,637</u>	<u>\$ 817,692</u>	<u>\$ 314,520</u>

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: Charter School Financial Reports

M.E.T.S. CHARTER SCHOOL
CHANGES IN NET POSITION
LAST FIVE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,				
	2012	2013	2014	2015	2016
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 959,878	\$ 1,623,232	\$ 2,524,476	\$ 3,487,818	\$ 4,785,337
Special Education	56,164				151,437
Other Instruction					47,837
Support Services:					
Instruction	442,353	739,503			
Student and Instruction Related Services			1,767,674	1,525,950	
General Administrative Services	375,495	453,209	1,593,819	1,478,885	1,069,737
School Administrative Services	251,437	525,672			1,307,534
Central Services	1,896				
Plant Operations and Maintenance	762,902	978,562			831,676
Pupil Transportation	1,428	3,671			38,622
Unallocated Benefits	156,567	575,439			
TPAF Social Security	90,960	129,498			
Capital Outlay		64,945	87,797	261,545	
Total Governmental Activities Expenses	<u>3,099,080</u>	<u>5,093,731</u>	<u>5,973,766</u>	<u>6,754,198</u>	<u>8,232,180</u>
Total Entity Expenses	<u>\$ 3,099,080</u>	<u>\$ 5,093,731</u>	<u>\$ 5,973,766</u>	<u>\$ 6,754,198</u>	<u>\$ 8,232,180</u>
Program Revenues					
Governmental Activities:					
Operating Grants and Contributions	\$ 242,173	\$ 295,087	\$ 270,655	\$ 402,170	\$ 1,301,579
Total Governmental Activities Program Revenues	<u>242,173</u>	<u>295,087</u>	<u>270,655</u>	<u>402,170</u>	<u>1,301,579</u>
Total Entity Program Revenues	<u>\$ 242,173</u>	<u>\$ 295,087</u>	<u>\$ 270,655</u>	<u>\$ 402,170</u>	<u>\$ 1,301,579</u>

M.E.T.S. CHARTER SCHOOL
CHANGES IN NET POSITION
LAST FIVE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	2012	2013	June 30, 2014	2015	2016
Net (Expense)/Revenue					
Governmental Activities	\$ (2,856,907)	\$ (4,798,644)	\$ (5,703,111)	\$ (6,352,028)	\$ (6,930,601)
Total Entity-wide Net Expense/Revenues	<u>\$ (2,856,907)</u>	<u>\$ (4,798,644)</u>	<u>\$ (5,703,111)</u>	<u>\$ (6,352,028)</u>	<u>\$ (6,930,601)</u>
General Revenues, Special Item and Other Changes in Net Position					
Governmental Activities:					
Local Property Taxes - Charter School Aid	729,992	1,069,176	1,473,539	82,079	1,578,505
Unrestricted Federal and State Aid	2,841,081	3,252,270	4,321,478	6,558,659	4,820,776
Special Item - Adjustment for Pension Treatment				(227,627)	
Investment Earnings					151
Miscellaneous Income	241	2,222	321,300	103,972	27,997
Total Governmental Activities	<u>3,571,314</u>	<u>4,323,668</u>	<u>6,116,317</u>	<u>6,517,083</u>	<u>6,427,429</u>
Total Entity-Wide	<u>\$ 3,571,314</u>	<u>\$ 4,323,668</u>	<u>\$ 6,116,317</u>	<u>\$ 6,517,083</u>	<u>\$ 6,427,429</u>
Change in Net Position:					
Governmental Activities	\$ 714,407	\$ (474,976)	\$ 413,206	\$ 165,055	\$ (503,172)
Total Entity	<u>\$ 714,407</u>	<u>\$ (474,976)</u>	<u>\$ 413,206</u>	<u>\$ 165,055</u>	<u>\$ (503,172)</u>

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: Charter School Financial Reports

Exhibit J-3

M.E.T.S. CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
General Fund:					
Restricted					\$ 25,000
Assigned					21,517
Unassigned	\$ 714,407	\$ 239,431	\$ 652,637	\$ 1,045,319	654,447
Total General Fund	714,407	239,431	652,637	1,045,319	700,964
Total All Governmental Funds	\$ 714,407	\$ 239,431	\$ 652,637	\$ 1,045,319	\$ 700,964

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: Charter School Financial Reports

Exhibit J-4

M.E.T.S. CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2013	2014	2015	2016
Revenues:				
Tax Levy (Charter School Aid)	\$ 1,069,176	\$ 1,473,539	\$ 89,579	\$ 1,578,505
Miscellaneous	2,222	321,300	103,972	28,148
State Sources	3,252,270	4,321,478	6,558,659	5,047,452
Federal Sources	295,087	270,655	394,670	717,895
Total Revenue	<u>4,618,755</u>	<u>6,386,972</u>	<u>7,146,880</u>	<u>7,372,000</u>
Expenditures:				
Instruction:				
Regular Instruction	1,623,232	2,524,476	3,487,818	3,354,247
Special Education Instruction				127,526
Support Services:				40,186
Student & Instruction Related Services				956,656
General Administration Services	1,192,712	1,593,819	1,478,885	1,016,468
School Administrative services				831,676
Other Support Services	2,212,842	1,767,674	1,525,950	38,622
Custodial Services				1,350,974
Student Transportation Services				
Unallocated Benefits				
Capital Outlay	64,945	87,797	261,545	
Total Expenditures	<u>5,093,731</u>	<u>5,973,766</u>	<u>6,754,198</u>	<u>7,716,355</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(474,976)</u>	<u>413,206</u>	<u>392,682</u>	<u>(344,355)</u>
Net Change In Fund Balances	<u>\$ (474,976)</u>	<u>\$ 413,206</u>	<u>\$ 392,682</u>	<u>\$ (344,355)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: Charter School Financial Reports

Exhibit J-5

M.E.T.S. CHARTER SCHOOL
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST FIVE FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30,	Local Levy - Charter School Aid	Other	Total
2012	\$ 729,992	\$ 241	\$ 730,233
2013	1,069,176	2,222	1,071,398
2014	1,473,539	20,178	1,493,717
2015	82,079	103,972	186,051
2016	1,578,505	28,148	1,606,653

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: M.E.T.S. Charter School Financial Reports.

M.E.T.S. CHARTER SCHOOL
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction:					
Regular	14.5	27.0	33.0	42.5	47.5
Special Education	1.0	3.5	4.0	3.0	3.0
Other Instruction	2.0	2.0	3.0	3.0	11.0
Support Services:					
Student & Instruction Related Services		2.0	2.5	3.5	3.5
School Administrative Services	2.0	1.5	3.0	2.0	4.0
General and Business Administrative Services	2.0	2.0	3.5	2.0	2.0
Administrative Information Technology	1.0	1.0	2.0	1.0	1.0
Plant Operations and Maintenance	5.0	6.5	7.0	9.0	0.5
Other Support Services	1.0	3.0	2.0	4.5	6.0
Total	<u>28.5</u>	<u>48.5</u>	<u>60.0</u>	<u>70.5</u>	<u>78.5</u>

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: Charter School Personnel Records

M.E.T.S. CHARTER SCHOOL
OPERATING STATISTICS
LAST FIVE FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^b</u>	<u>Percent Change</u>	<u>Teaching Staff^c</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)^d</u>	<u>Average Daily Attendance (ADA)^d</u>	<u>% Change Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2012	320.0	\$ 3,008,120	\$ 9,400	N/A	22.5	13.94	313.6	308.2	N/A	98.28%
2013	395.7	5,028,786	12,709	35.19%	32.5	12.18	395.7	380.6	26.18%	96.18%
2014	479.6	5,885,969	12,273	-3.43%	40.0	11.99	479.6	455.6	21.20%	95.00%
2015	523.2	6,492,653	12,410	1.12%	52.5	9.97	523.2	498.0	9.09%	95.18%
2016	479.2	7,716,355	16,103	29.76%	53.5	8.96	479.2	457.6	-8.41%	95.49%

Note: Enrollment is based on the annual October Student count.

^a Operating expenditures equal total expenditures less debt service and capital outlay.

^b Cost per pupil is calculated based upon enrollment and operating expenditures presented and may not be the same as other cost per pupil calculations.

^c Teaching staff includes only full-time equivalents of certificated staff.

^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: Charter School Business Office

Exhibit J-18

M.E.T.S. CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
LAST FIVE FISCAL YEARS
UNAUDITED

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Building</u>					
Charter School Building					
Square Feet	40,000	40,000	40,000	40,000	40,000
Capacity (students)	600	600	600	600	600
Enrollment	320	396	480	523	476
Number of Schools at June 30, 2016					
Charter School (6-12) = 1					

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

Source: Charter School Business Office

Exhibit J-20

M.E.T.S. CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy: NJSIG		
Property Blanket Building & Contents	\$ 450,000,000	\$ 1,000
Insured TIV (Contents only)	500,000	
Comprehensive General Liability	11,000,000	
Comprehensive Auto Liability (Hired-Non Owned)	11,000,000	
Comprehensive Inland Marine Coverage	Various	
Board of Education Legal Liability	11,000,000	5,000
Crime Coverage (Employee Dishonesty)	1,000,000	1,000
Umbrella Liability (NJSIG)	Included in limits above	
Boiler and Machinery (NJSIG)	100,000,000	1,000
Workers Compensation (NJSIG)	Statutory	
Employers Liability	2,000,000	
Public Official Bond - NJSIG		
School Business Administrator/Board Secretary	150,000	

Exhibit J-21

M.E.T.S. CHARTER SCHOOL
FINANCIAL PERFORMANCE
JUNE 30, 2016
UNAUDITED

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Cash	\$ 603,225	\$ 258,105	\$ 697,350	\$ 865,983	\$ 636,858
Current Assets	111,182	102,820	526,510	731,586	309,841
Total Assets	<u>714,407</u>	<u>360,925</u>	<u>1,223,860</u>	<u>1,597,569</u>	<u>946,699</u>
Deferred Outflows of Resources				329,420	355,646
Current Liabilities		121,494	571,223	552,250	282,138
Long-Term Liabilities				525,717	596,199
Total Liabilities		<u>121,494</u>	<u>571,223</u>	<u>1,077,967</u>	<u>878,337</u>
Deferred Inflows of Resources				31,330	109,488
Net Position	<u>\$ 714,407</u>	<u>\$ 239,431</u>	<u>\$ 652,637</u>	<u>\$ 817,692</u>	<u>\$ 314,520</u>
Total Revenue	\$ 3,813,487	\$ 4,618,755	\$ 6,386,972	\$ 7,723,295	\$ 7,729,008
Total Expenses	<u>3,099,080</u>	<u>5,093,731</u>	<u>5,973,706</u>	<u>7,558,240</u>	<u>8,232,180</u>
Change in Net Position/(Deficit)	<u>\$ 714,407</u>	<u>\$ (474,976)</u>	<u>\$ 413,266</u>	<u>\$ 165,055</u>	<u>\$ (503,172)</u>
Depreciation Expense	N/A	N/A	N/A	N/A	N/A
Interest Expense	N/A	N/A	N/A	N/A	N/A
Principal Payments	N/A	N/A	N/A	N/A	N/A
Interest Payments	N/A	N/A	N/A	N/A	N/A
Final Average Daily Enrollment	314	381	480	523	479
March 30th Budgeted Enrollment	N/A	N/A	N/A	N/A	479
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Near Term Indicators:					
Current Ratio	N/A	N/A	N/A	N/A	0.52
Unrestricted Days Cash	308.20	261.02	207.98	197.85	245.54
Enrollment Variance	N/A	N/A	N/A	N/A	1.00
Default	No	No	No	No	No
Sustainability Indicators:					
Total Margin	19%	-10%	6%	2%	-7%
Debt to Asset	0.00	0.34	0.47	0.67	0.93
Cash Flow	N/A	(345,120)	439,245	168,633	(229,125)
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A

This schedule does not contain ten years of information as the M.E.T.S. Charter School was established during the fiscal year ending June 30, 2012.

N/A - Not Applicable

Source: Charter School Business Office

SINGLE AUDIT SECTION



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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*

Independent Auditors' Report

The Honorable President and Members
of the Board of Trustees
M.E.T.S. Charter School
Jersey City, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the M.E.T.S. Charter School of Jersey City, in the County of Hudson (the "Charter School") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2016. That report contained a qualified opinion on the financial statements as the amount that should be recorded for capital assets in the governmental activities was not recorded.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over GAAP reporting, described in the accompanying Schedule of Findings and Responses as Finding 2016-1 that we consider to be a significant deficiency.

The Honorable President and Members
of the Board of Trustees
M.E.T.S. Charter School
Page 2

Compliance and Other Matters

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

The Charter School's Response to the Finding

The Charter School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 11, 2016
Mount Arlington, New Jersey

NISIVOCIA LLP

NISIVOCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant



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Report on Compliance For Each Major State Program:
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the M.E.T.S. Charter School of Jersey City (the "Charter School's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2016. The Charter School's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

The Honorable President and Members
of the Board of Trustees
M.E.T.S. Charter School
Page 2

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

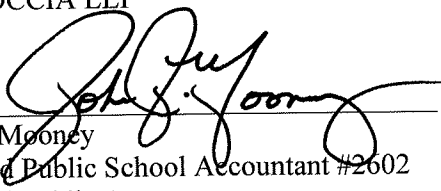
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

November 11, 2016
Mount Arlington, New Jersey

NISIVOCIA LLP
NISIVOCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	June 30, 2015			Budgetary Expenditures	Adjustment of Prior Years' Balances	Balance, June 30, 2016			Amount Provided to Subrecipients
					Budgetary Accounts Receivable	Due to Grantor	Cash Received			Budgetary Unearned Revenue	Budgetary Accounts Receivable	Due to Grantor	
<u>Special Revenue Fund:</u>													
US Department of Education Passed-through State of New Jersey Department of Education													
Special Education Cluster:													
IDEA- Part B, Basic	84.027	IDEA 6068-16	7/1/15-6/30/16	\$ 116,427			\$ 72,841	\$ (116,427)			\$ (43,586)		
IDEA- Part B, Basic	84.027	IDEA 6068-15	7/1/14-6/30/15	89,169	\$ (12,987)		8,900		\$ 4,087				
IDEA- Part B, Basic	84.027	IDEA 6068-14	9/1/13-8/31/14	67,124		\$ 4,133						\$ 4,133	
Total Special Educaton Cluster					(12,987)	4,133	81,741	(116,427)	4,087		(43,586)	4,133	
No Child Left Behind:													
Title I - Part A	84.010A	NCLB 6068-16	7/1/15-6/30/16	354,244			164,983	(270,178)			(105,195)		
Title I - Part A	84.010A	NCLB 6068-15	7/1/14-6/30/15	333,025	(310,912)		315,000		(4,088)				
Title I - Part A	84.010A	NCLB 6068-14	9/1/13-8/31/14	67,124		420						420	
Passed-through Rutgers, The State University													
Teacher Incentive Fund	84.374A	N/A	9/1/15-8/31/16	372,640			271,017	(331,290)			(60,273)		
Total U.S. Department of Education					(323,899)	4,553	832,741	(717,895)	(1)		(209,054)	4,553	
Total Federal Awards					\$ (323,899)	\$ 4,553	\$ 832,741	\$ (717,895)	\$ (1)	\$ - 0 -	\$ (209,054)	\$ 4,553	\$ - 0 -

N/A - Not Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	June 30, 2015		Cash Received	Budgetary Expenditures	Paid to Grantor	Unearned Revenue	June 30, 2016		MEMO
				Budgetary Accounts Receivable	Due to Grantor					Budgetary/ GAAP Receivable	Due to Grantor	Cumulative Total Expenditures
State Department of Education:												
General Fund:												
Local Levy - State Share	16-495-034-5120-078	7/1/15-6/30/16	\$ 4,051,051			\$ 4,026,367	\$ (4,051,051)			\$ (24,684)		\$ 4,051,051
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	185,640			184,224	(185,640)			(1,416)		185,640
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	227,077			227,077	(227,077)					227,077
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	243,614			231,969	(243,614)			(11,645)		243,614
Reimbursed TPAF Social Security Contributions	15-495-034-5095-003	7/1/14-6/30/15	220,170	\$ (10,699)		10,699						220,170
Total General Fund				(10,699)		4,680,336	(4,707,382)			(37,745)		4,927,552
Total State Awards				\$ (10,699)	\$ - 0 -	\$ 4,680,336	\$ (4,707,382)	\$ - 0 -	\$ - 0 -	\$ (37,745)	\$ - 0 -	\$ 4,927,552

M.E.T.S. CHARTER SCHOOL
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of M.E.T.S. Charter School (the "Charter School") under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Charter School's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The Charter School has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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. 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from budgetary basis to the GAAP basis is \$-0- for the general fund and special revenue funds. The Schedule of Expenditures of State Awards does not include the On-Behalf TPAF Pension Contributions and Post-Retirement Medical Benefits contributions in the amount of \$155,232 and \$184,838, respectively. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,047,452	\$ 5,047,452
Special Revenue Fund	\$ 717,895		717,895
	<u>\$ 717,895</u>	<u>\$ 5,047,452</u>	<u>\$ 5,765,347</u>

M.E.T.S. CHARTER SCHOOL
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 5. 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 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016.

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the financial statements of the District as the capital assets in the governmental activities has not been recorded in the financial statements.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the Charter School which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the Charter School expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The Charter School was not subject to the single audit provisions of the Uniform Guidance for the fiscal year end June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Circular.
- The Charter School's programs tested as major state programs for the current fiscal year consisted of the following state aid:

<u>Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Local Levy - State Share	16-495-034-5120-078	7/01/15-6/30/16	\$ 4,051,051	\$ 4,051,051
Security Aid	16-495-034-5120-084	7/01/15-6/30/16	185,640	185,640
Special Education Aid	16-495-034-5120-089	7/01/15-6/30/16	227,077	227,077

- The threshold for distinguishing between Type A and Type B state programs was \$750,000.
- The Charter School was determined to be as a "low risk" auditee for state programs.

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit discloses the following significant deficiency required to be reported under *Generally Accepted Governmental Accounting Standards*:

Finding 2016-1

The Charter School has a capital assets accounting and reporting system in place but the capital assets accounting records cannot be relied upon. During our review of capital, assets, we found that the assets were not properly tagged, accounted for, and properly recorded on the appraisal report. There were multiple items grouped together in the appraisal report that on an individual basis would not be more than the \$2,000 threshold. A GASB 34 compliant appraisal report is necessary to be in compliance with General Accepted Government Auditing Standards.

Management Response:

The Charter School will ensure a GASB 34 compliant appraisal report is obtained.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

M.E.T.S. CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

There were no prior year audit findings.