

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2016

***PATERSON ARTS AND SCIENCE
CHARTER SCHOOL***

***Paterson Arts and Science Charter School
Board of Trustees
Elmwood Park, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Prepared by

***Paterson Arts and Science Charter School
Finance Department***

And

Barre & Company, CPAs

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INTRODUCTORY SECTION

***PATERSON ARTS AND SCIENCE CHARTER SCHOOL
465 BOULEVARD
ELMWOOD PARK, NEW JERSEY 07407***

November 28, 2016

Honorable President and
Members of the Board of Trustees
Paterson Arts and Science Charter School
County of Passaic
Elmwood Park, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Paterson Arts and Science 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 various funds 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 as follows:

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

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey 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 independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

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

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

Paterson Arts and Science Charter School provides a full range of educational services appropriate to Grades K-6. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2015-2016 school year with an enrollment of 475 students. The following details the student enrollment of the Charter School.

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-2016	475	16.63%
2014-2015	396	18.94%
2013-2014	321	0.00%

2. **ECONOMIC CONDITION AND OUTLOOK:** Paterson Arts and Science Charter School continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Paterson Arts and Science Charter School will continue to prosper.

3. **MAJOR INITIATIVES:** The Paterson Arts and Science Charter School Mission is to provide the ideal environment for the intellectual and social development for its students by utilizing a combined effort of students, educators, families, and the community as a whole.

Mission and Educational Program in Practice

Paterson Arts and Science Charter School aims to provide the ideal environment for the intellectual and social development of its students, utilizing the combined effort of students, educators, families, and the community as a whole, by providing boundless academic and co-curricular opportunities for individual skills and talents to develop. From the inception of the school, students have been provided a multitude of opportunities extended to them that have guided them on a path to success. Our mission and vision considers the educational goals that the New Jersey Department of Education has established for *all* students. This is evidenced in the four areas identified below, which are in direct correlation to the "Building Blocks of Education" outlined by Governor Christie.

1. ***Academic Achievement*** - concentration is placed on providing a multidimensional curriculum, research-based "best practices" instructional strategies, and student/program assessments. Literacy objectives within the CCSS **must be met** to better prepare students for PARCC assessments, college acceptance, and workforce readiness. Summary writing, analysis of rich and varied literature and non-fiction text, critical research skills, and opinions supported by text-based evidence are the cornerstone elements of the CCSS. In mathematics, lessons are aligned to the CCSS and the content prioritized and supported with online programs for student instruction and assignments. Teachers and students have access to rich, CCSS-aligned, engaging content, and embedded assessments with instant data.

2. ***Digital Learning Environment*** - concentration is placed on classroom organization, integration of technology, teacher development, and effective instructional programs. This allows the district to provide the most relevant, research-based educational experience to our students. The design of the program currently embraces technological literacy and integration, and in the absence of these resources, curricula cannot be delivered as designed. The rigors of the Common Core State Standards and the next-generation digital assessments require us to adjust both the method and mode of instruction to prepare our students for college and careers. We fully expect student assessment data to evidence student growth as a result, in part, of digital instruction.

3. **Co-curricular Programs** - concentration is placed on academic and non-academic programs that are designed to meet the needs of the **whole child** (academically, socially and emotionally). Paterson Arts and Science Charter School has a vibrant arts education model, which includes multiple performances including full-length theatrical productions, concerts, cultural dances and festivals. The school is often the host location for a variety of educational presentations, educational guest speakers, science fairs and Olympiads, and math competitions. Additionally, the district hosts a summer learning institute, whereby all instructional staff come together in the form of a professional learning community in order to explore best practices in education.

4. **Community Involvement** - concentration is placed on parent programs, community outreach, and fostering school, family and community collaboration/involvement. The students of Paterson ASCS are afforded the benefits of partnerships currently established with local universities, businesses, and community leaders. Paterson ASCS recognizes a school as an anchor in a community and believes the school is the anchor that the community needs. All children deserve the opportunity to be educated in a rich, nurturing environment that promotes inquiry-based learning and innovation in an equitable, culturally-sensitive environment.

CURRICULUM ALIGNMENT TO STANDARDS

In order to ensure that Paterson Arts and Science Charter School's curricula is aligned to state standards Paterson Arts and Science Charter School developed a high quality curriculum that is based on state standards. The curricula framework is well thought out and embodies the state standards and goals for which teachers and students are held accountable.

The standards-based curriculum governs the way that instructional programs are run and the way that teachers teach. The curricula framework considers the need for proper implementation of the state standards and therefore provides adequate time for implementation, monitoring, and evaluation of the standards.

At Paterson Arts and Science Charter School, the curricula is considered a living document which allows for ongoing critiquing and opportunities for reflection and revision so that the curriculum is updated and improved on a regular basis.

Specifically, Common Core State Standards for English Language Arts (ELA) and Literacy in History/Social Studies in grades kindergarten – 10th were adopted in August 2012. Most recently, kindergarten through 8th grade ELA and Literacy in History/Social Studies was revised during the summer of 2015.

Common Core State Standards for Mathematics was adopted in August, 2012 and most recently revised during the summer of 2015.

Science curricula for grades kindergarten to 12 were revised most recently during the summer of 2015.

Visual and Performing Arts was revised in June, 2009, Comprehensive Health and Physical Education was revised in June, 2011, Technology was adopted in 2007, 21st Century Life and Careers was revised in September, 2012, and World Languages was revised in June, 2009.

SCHOOL ENGAGEMENT OF FAMILIES / GUARDIANS

Paterson ASCS believes that family involvement is an integral component of our school culture. Our objective is to continue fostering close and positive relationships and constant communication between school, family, and community. From influential guests to the various holiday dinners, Paterson-ASCS has grown this year by expanding our family involvement into the community-at-large. Our Parent-Teacher Organization (PTO) is a committee that maintains a strong presence at the school, and they are a vital component of enriching the experience of students. They make the purchase of sports equipment, musical instruments, yearbooks and classroom materials a reality for our school district. Additionally, the PTO fundraises to defray the cost of field trips for the students. PTO leadership roles have been adjusted for the 2015-2016 school year in order to ensure a successful pairing of families with the school community as a whole.

In the 2015-2016 Academic Year, Paterson ASCS reached out to both families and the community-at-large with myriad programs and activities to enhance the experience of the students and school community as a whole. Parents are not only invited to attend, but asked to contribute to the planning and implementation programs and offerings. Paterson ASCS cultivates and maintains steady school/family interaction through an array of activities. A selection of programs and events is provided below:

- ORIENTATION FOR STUDENTS AND PARENTS
- BACK-TO-SCHOOL NIGHT
- HISPANIC HERITAGE CELEBRATION
- WEEKLY PARENT/TEACHER/ADMINISTRATOR BREAKFAST
- GRANDPARENT'S NIGHT
- SECOND ANNUAL PTO PARENT PICNIC
- HALLOWEEN COSTUME PARADE/CONTEST/TRUNK-OR-TREAT
- PARENT/TEACHER CONFERENCES
- VETERAN'S DAY REMEMBRANCE
- QUARTERLY AWARDS CEREMONIES
- HOLIDAY DINNER/COMMUNITY FOOD DRIVE
- SPRING AND WINTER CONCERTS/THEATRE PROGRAM/ART FAIR
- ANNUAL MUFFINS WITH MOMS/DONUTS WITH DADS
- QUALITY IN EDUCATION SUMMIT
- SCHOOL CHOICE WEEK
- DISTRICT SCIENCE FAIR
- GARDEN STATE INTERNATIONAL HERITAGE FESTIVAL
- HOLIDAY TOY DRIVE
- MOVIE NIGHTS
- PASTA NIGHT/TRICKY TRAY
- FEAST OF GIVING
- MATH CONTEST
- SCIENCE OLYMPIAD
- MAKE THINGS HAPPEN FESTIVAL

SCHOOL PARTNERSHIPS

Partnering organization	Description of the partnership
EDUCATIONAL INSTITUTIONS:	
Fairleigh Dickinson University	This partnership enabled students to take an AP course in English taught by one of our HS teachers. http://ilearnschools.org/about-us.html
Jefferson Awards	This partnership enabled students to participate in Jefferson Awards Students in Action program. http://ilearnschools.org/about-us.html
Grand Canyon University	The purpose of this non-exclusive Agreement is to establish the terms and conditions under which students of Grand Canyon University may participate in Student Teaching Internships, Practicum and Observations at the schools located in the District http://ilearnschools.org/about-us.html
Rutgers University	http://ilearnschools.org/about-us.html (see link for a more detailed description)
NJIT	http://ilearnschools.org/about-us.html (see link for a more detailed description)
College of Saint Elizabeth	This partnership provided eligible employees the opportunity to pursue undergraduate and graduate degrees, certificates and professional continuing education course through the college. http://ilearnschools.org/about-us.html

COMMUNITY INVOLVEMENT:	
Quality In Education Summit Panel Discussion	<p>The panel discussions serve as a platform to raise awareness of, and highlight, the positive role of charter schools in New Jersey and the need for further support and development. These forums will continue to address macro issues confronting public education in the 21st Century.</p> <p>Panelists were: 1)Heather Tedesco, New Jersey Regional Director for Jefferson Awards Students in Action 2)Assemblyman Benjie Wimberly, Legislative District #35 3) Allison Scott-Williams, NJPAC Arts Director.</p> <p>Approximately 200 parents and community members attended this event which took place at our Paterson Arts and Science Charter School.</p> <p>This year's topic was ATHLETICS, ARTS, AND MUSIC: THREE ELEMENTS NECESSARY FOR A COMPLETE PUBLIC</p>
VIP Visitor Program	<p>Community leaders (VIP Guest) were invited to give inspirational speeches to students regarding leadership and core values. (VIP Invitations were extended to but not limited to: Mayors, Freeholders, Assemblymen and women, Prosecutors, Police chiefs, Senators, CEOs, NJ DOE Staff, NJ Charter School Assn. Staff</p> <p>VIP guests were scheduled monthly. Fifth through ninth grade students, family members attended VIP Ceremonies. In most cases, VIP guests made connections with students that would afford them (students) opportunities to visit establishments and facilities that would enhance their knowledge of government/judicial systems and servant leadership.</p>
Community Outreach Activities	Determined by grade and/or department Teachers planned outreach activities and/or projects for the classes
Garden State International Heritage Festival	<p>The Garden State International Heritage Festival is the blending of the multidisciplinary content areas to recognize and celebrate diversity in the classroom throughout the year. Students, families, elected officials and community members.</p> <p>The GSIHF has been a project of the NJASCS organization for the last 4 years. The festival enables students, participants and visitors to experience a wide range of activities: performances, art displays, to sampling from a wide array of food from other vendors.</p>

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposits with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPA's, was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of 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 Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

9. ANTI-BULLYING: On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act ("Act") requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2015-2016, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

Respectfully submitted,

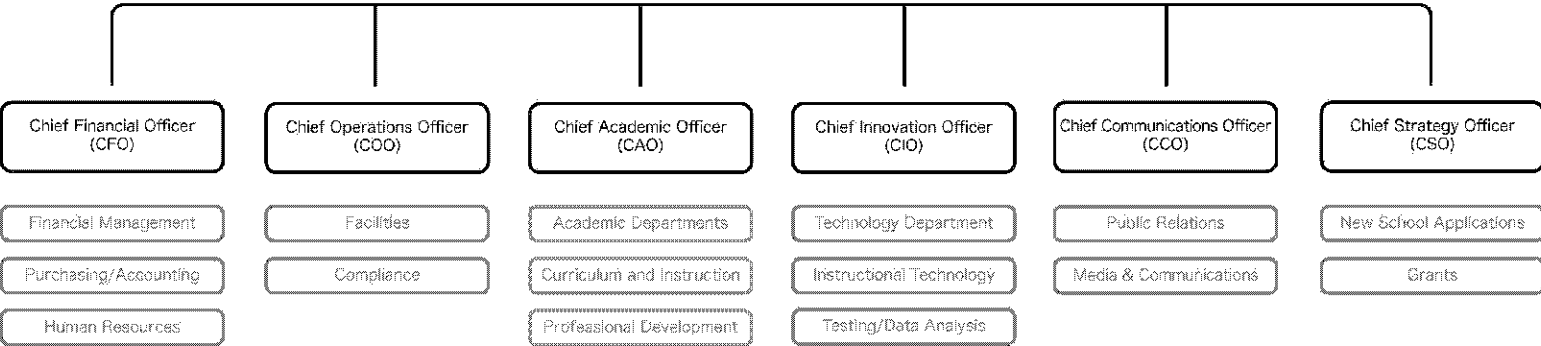


Recep Ornek
School Business Administrator/Board Secretary

CHARTER SCHOOL BOARDS



Chief Executive Officer (CEO)



SCHOOLS

School Director



**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

Members of the Board of Trustees

Position

Murat Teke	Trustee - President
Ismail Oral	Trustee
Tufan Aksahin	Trustee
Sancar Avcioglu	Trustee
Nilda Pardo	Trustee
Juan Infante	Trustee

Other Officials

Nihat Guvercin	Lead Person
Recep Ornek	Business Administrator/ Board Secretary
Christopher Lessard	Treasurer

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
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2204 Morris Avenue, Suite 206
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Attorney

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Official Depository

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BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Paterson Arts and Science Charter School
465 Boulevard
County of Passaic
Elmwood Park, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Arts and Science Charter School (Charter School), in the County of Passaic, State of New Jersey, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Arts and Science Charter School, in the County of Passaic, State of New Jersey, as of June 30, 2016, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information and District's Proportionate Share of the Net Pension Liability to TPAF and PERS and District's PERS Contributions and the related notes starting on pages 19, 77 and 92, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated November 28, 2016 on our consideration of the Paterson Arts and Science Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and *the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.



BARRE & COMPANY
Certified Public Accountants
Public School Accountants



Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
November 28, 2016

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The discussion and analysis of Paterson Arts and Science Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2016 are as follows:

- ❖ General revenues accounted for \$7,190,420 in revenue or 95% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$407,994 or 5% of total revenues of \$7,598,414.
- ❖ The Charter School had \$7,811,461 in expenses; \$407,994 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7,190,420 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$6,565,279 in revenues and \$6,687,412 in expenditures. The General Fund's fund balance decreased \$122,133 over 2015. This decrease was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

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

The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Paterson Arts and Science Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

The Charter School as a Whole

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

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

The Charter School's combined net position were \$52,729 for 2016 and \$265,776 for 2015.

Governmental Activities

The Charter School's total revenues were \$7,301,598 for 2016 and \$5,981,128 for 2015, this includes \$318,297 for 2016 of state reimbursed TPAF social security and pension contributions and \$108,565 for 2015 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$7,551,230 for 2016 and \$5,968,603 for 2015. Instruction comprises 39% for 2016 and 41% for 2015 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

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

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

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

Business-Type Activities

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

- ❖ Proprietary Fund operating expenses exceeded operating revenues by \$36,585 for 2016 and by \$29,269 for 2015.
- ❖ Charges for services represent \$74,833 for 2016 and \$63,351 for 2015. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$221,983 for 2016 and \$221,417 for 2015.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$7,301,598 for 2016 and \$5,981,128 for 2015 and expenditures were \$7,423,731 for 2016 and \$5,961,802 for 2015. The net change in fund balance for fiscal years 2016 and 2015 was most significant in the general fund, a decrease of \$122,133 in 2016 and an increase of \$19,326 in 2015.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2015	Percent of Increase/ (Decrease)
Local Sources	\$ 797,798	10.93%	\$ 156,089	24.32%
State Sources	5,767,481	78.99%	757,324	15.12%
Federal Sources	736,319	10.08%	407,057	123.63%
Total	\$ 7,301,598	100.00%	\$ 1,320,470	

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

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

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2015</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 2,885,466	38.86%	\$ 594,299	25.94%
Administration	1,573,892	21.20%	27,096	1.75%
Support Services	2,877,135	38.76%	773,296	36.76%
Capital Outlay	<u>87,238</u>	<u>1.18%</u>	<u>67,238</u>	336.19%
Total	<u>\$ 7,423,731</u>	<u>100.00%</u>	<u>\$ 1,461,929</u>	

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

The Charter School had \$25,330 invested in machinery and equipment at the end of the fiscal year 2016 and \$30,318 for 2015.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

For the Future

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

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Nihat Guvercin, CEO/Lead Person at Paterson Arts and Science Charter School, 465 Boulevard, Elmwood Park, New Jersey 07407.

SECTION A - BASIC FINANCIAL STATEMENTS

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 101,714	\$ 56,278	\$ 157,992
Interfund Receivables	7,000	18,340	25,340
Receivables	167,467	19,811	187,278
Prepaid Expenses	74,840		74,840
Capital Assets, Net	25,330	9,271	34,601
Total Assets	376,351	103,700	480,051
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	773,549		773,549
Total Deferred Outflows of Resources	773,549	-	773,549
LIABILITIES:			
Interfund Payable	22,139	-	22,139
Payable to District	63,013		63,013
Accounts Payable	216,772	2,887	219,659
Noncurrent Liabilities:			
Pensions	881,881		881,881
Total Liabilities	1,183,805	2,887	1,186,692
DEFERRED INFLOWS OF RESOURCES:			
Pensions	14,179		14,179
Total Deferred Inflows of Resources	14,179	-	14,179
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	25,330		25,330
Unassigned	(73,414)	100,813	27,399
Total Net Position (Deficit)	\$ (48,084)	\$ 100,813	\$ 52,729

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Statement of Activities

For The Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 2,433,559	\$ 548,486	\$ -	\$ 111,178	\$ -	\$ (2,870,867)	\$ -	\$ (2,870,867)
Administration	1,628,793	71,409				(1,700,202)		(1,700,202)
Support Services	2,698,990	87,755				(2,786,745)		(2,786,745)
Capital Outlay	82,238					(82,238)		(82,238)
Total Governmental Activities	6,843,580	\$ 707,650	\$ -	111,178	-	(7,440,052)	-	(7,440,052)
BUSINESS-TYPE ACTIVITIES:								
Food Service	260,231		74,833	221,983	-	-	36,585	36,585
Total Business-Type Activities	260,231		74,833	221,983	-	-	36,585	36,585
Total Primary Government	\$ 7,103,811		\$ 74,833	\$ 333,161	\$ -	\$ (7,440,052)	\$ 36,585	\$ (7,403,467)
GENERAL REVENUES								
Federal and State Aid Not Restricted			\$ -			\$ 7,128,941	\$ -	\$ 7,128,941
Tuition						35,671		35,671
Miscellaneous Income						25,808		25,808
Total General Revenues						7,190,420	-	7,190,420
Change in Net Position						(249,632)	36,585	(213,047)
Net Position - Beginning						201,548	64,228	265,776
Net Position - Ending						\$ (48,084)	\$ 100,813	\$ 52,729

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2016

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 26,143	\$ 571	\$ 26,714
Cash - Restricted	75,000		75,000
Receivables:			
Interfund Receivables	7,000		7,000
Receivables From Other Governments	10,770	55,764	66,534
Other Receivables	82,698		82,698
Receivables, Net	18,235		18,235
Security Deposits	74,840		74,840
Total Assets	\$ 294,686	\$ 56,335	\$ 351,021
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ 22,139	\$ -	\$ 22,139
Payable to Other Districts	63,013		63,013
Accounts Payable	160,437	56,335	216,772
Total Liabilities	245,589	56,335	301,924
Fund Balances:			
Unassigned:			
General Fund	49,097		49,097
Total Fund Balances	49,097	-	49,097
Total Liabilities and Fund Balances	\$ 294,686	\$ 56,335	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$52,022 and the accumulated depreciation is \$26,692.	25,330
Net pension liability of \$881,881, deferred inflows of resources of \$14,179 less deferred outflows of resources of \$773,549 related to pensions are not reported in the governmental funds	(122,511)
Net Position of Governmental Activities	\$ (48,084)

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 690,506	\$ -	\$ 690,506
Tuition	35,671		35,671
Miscellaneous	71,621		71,621
Total Local Sources	797,798		797,798
State Sources	5,767,481		5,767,481
Federal Sources		736,319	736,319
Total Revenues	6,565,279	736,319	7,301,598
EXPENDITURES:			
Current:			
Instruction	2,390,115	495,351	2,885,466
Administration	1,573,892		1,573,892
Support Services	2,718,405	158,730	2,877,135
Capital Outlay	5,000	82,238	87,238
Total Expenditures	6,687,412	736,319	7,423,731
NET CHANGE IN FUND BALANCES	(122,133)		(122,133)
FUND BALANCES, JULY 1	171,230		171,230
FUND BALANCES, JUNE 30	\$ 49,097	\$ -	\$ 49,097

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental fund (from B-2)		\$ (122,133)
Amounts reported for governmental activities in the statement of activities (A-2) which are different:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (9,988)	
Capital Outlay	5,000	(4,988)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p>		
		(122,511)
Change in net position of governmental activities		\$ (249,632)

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

PROPRIETARY FUNDS

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Proprietary Fund
 Statement of Fund Net Position
 June 30, 2016

	Business-Type Activities - Enterprise Fund			
	Food Service	Summer Enrichment	After Care	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 56,005	\$ 273	\$ -	\$ 56,278
Interfund Receivable	18,340			18,340
Intergovernmental Accounts Receivable:				
Federal	19,557			19,557
State	254			254
Total Current Assets	94,156	273	-	94,429
Noncurrent Assets:				
Machinery and Equipment	18,160			18,160
Less Accumulated Depreciation	(8,889)			(8,889)
Total Noncurrent Assets	9,271	-	-	9,271
Total Assets	\$ 103,427	\$ 273	\$ -	\$ 103,700
LIABILITIES AND NET POSITION				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 2,887	\$ -	\$ -	\$ 2,887
Total Current Liabilities	2,887	-	-	2,887
Total Liabilities	2,887	-	-	2,887
Net Position:				
Unassigned	\$ 100,540	\$ 273	\$ -	\$ 100,813
Total Net Position	100,540	273	-	100,813
Total Liabilities and Net Position	\$ 103,427	\$ 273	\$ -	\$ 103,700

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund			Total
	Food Service	Summer Enrichment	After Care	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 74,833	\$ -	\$ -	\$ 74,833
Total Operating Revenues	<u>74,833</u>	<u>-</u>	<u>-</u>	<u>74,833</u>
OPERATING EXPENSES:				
Salaries	91,735			91,735
Management Fees	8,500			8,500
Supplies and Materials	10,357			10,357
Depreciation Expense	3,294			3,294
Cost of Sales	134,260			134,260
Miscellaneous Expenses	12,085			12,085
Total Operating Expenses	<u>260,231</u>	<u>-</u>	<u>-</u>	<u>260,231</u>
OPERATING (LOSS)	<u>(185,398)</u>	<u>-</u>	<u>-</u>	<u>(185,398)</u>
NONOPERATING REVENUES:				
State Source:				
State School Breakfast/Lunch Program	3,068			3,068
Federal Source:				
National School Breakfast/Lunch/Snack Program	218,915			218,915
Total Nonoperating Revenues	<u>221,983</u>	<u>-</u>	<u>-</u>	<u>221,983</u>
CHANGE IN NET POSITION	<u>36,585</u>	<u>-</u>	<u>-</u>	<u>36,585</u>
TOTAL NET POSITION, JULY 1	<u>63,955</u>	<u>273</u>	<u>-</u>	<u>64,228</u>
TOTAL NET POSITION, JUNE 30	<u>\$ 100,540</u>	<u>\$ 273</u>	<u>\$ -</u>	<u>\$ 100,813</u>

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund			Total
	Food Service	Summer Enrichment	After Care	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 74,833	\$ -	\$ -	\$ 74,833
Cash Payments to Suppliers and Employees	(241,596)			(241,596)
Net Cash Used In Operating Activities	(166,763)	-	-	(166,763)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements	221,983			221,983
Net Cash Provided By Noncapital Financing Activities	221,983	-	-	221,983
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition And Construction Of Capital Assets	(2,900)			(2,900)
Net Cash Used For Capital And Related Financing Activities	(2,900)	-	-	(2,900)
Net Increase In Cash And Cash Equivalents	52,320	-	-	52,320
Cash And Cash Equivalents, Beginning Of Year	3,685	273	-	3,958
Cash And Cash Equivalents, End Of Year	<u>\$ 56,005</u>	<u>\$ 273</u>	<u>\$ -</u>	<u>\$ 56,278</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating (Loss) Used for Operating Activities	\$ (185,398)	\$ -	\$ -	\$ (185,398)
Depreciation	3,294			3,294
Change In Assets And Liabilities:				
Increase In Interfund Receivables	(2,482)			(2,482)
(Decrease) In Receivables	14,936			14,936
Increase In Accounts Payable	2,887			2,887
Net Cash Used In Operating Activities	<u>\$ (166,763)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (166,763)</u>

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

FIDUCIARY FUNDS

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2016

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ 5,637
Total Assets	\$ 5,637
LIABILITIES:	
Interfund Accounts Payable	\$ 3,201
Due to Student Groups	2,436
Total Liabilities	\$ 5,637

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

NOTES TO THE FINANCIAL STATEMENTS

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

For fiscal year 2016, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure.

B. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

operating control. The operations of the Paterson Arts and Science Charter School includes one school a Grade K-5. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements – Government-Wide Statements

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

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements – Fund Financial Statements

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

The following fund types are used by the Charter School:

Governmental Fund Types

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

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

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

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

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

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

F. Budgets/Budgetary Control

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

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

Total Revenues & Expenditures (Budgetary Basis)		\$ 736,319
Adjustments:		
Less Encumbrances at June 30, 2016		-
Plus Encumbrances at June 30, 2015		-
Total Revenues and Expenditures (GAAP Basis)		\$ 736,319

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets/Budgetary Control (Continued)

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

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

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

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

1. Deposits and Investments

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

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

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Short-term Interfund Receivables/Payables

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

3. Inventories

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

4. Capital Assets

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

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

Land and Construction in Progress are not depreciated.

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Fund Equity

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

6. Use of Estimates

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

7. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

H. Fund Balance Reserves

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

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

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

I. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended June 30, 2016, the Charter School implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Charter School is required to measure certain investments at fair value for financial reporting purposes. In addition,

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

Adopted Accounting Pronouncements (Continued)

the Charter School is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Charter School's financial statements.

The Charter School implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Charter School's financial statements.

The Charter School implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Charter School's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Charter School's financial statements.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued)

Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued)

amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

J. Pensions

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

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

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

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

	General Fund	Special Revenue	Proprietary Funds	Fiduciary Funds	Total
Operating Account	\$ 101,143	\$ 571	\$ 56,278	\$ 5,637	\$ 163,629

The Charter School had no investments at June 30, 2016.

The carrying amount of the Board's cash and cash equivalents at June 30, 2016 was \$163,629 and the bank balance was \$420,497. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

Deposits and Investments (Continued)

Deposits (Continued)

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

As of June 30, 2016, none of the cash and cash equivalents for Paterson Arts and Science Charter School were exposed to custodial credit risk.

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

Investments

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

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Deposits and Investments (Continued)

Investments (Continued)

- (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
- (6) Local government investment pools; Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
- (7) Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2016.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2016.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2016.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Deposits and Investments (Continued)

Investments (Continued)

Receivables

Receivables at June 30, 2016, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 73,999	\$ 74,253
Federal Aid	55,764	75,321
Other	37,704	37,704
Gross Receivables	167,467	187,278
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 167,467	\$ 187,278

A. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 7,000	\$ 22,139
Proprietary Fund	18,340	
Fiduciary Fund		3,201
Total	\$ 25,340	\$ 25,340

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Deposits and Investments (Continued)

Investments (Continued)

B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 47,022	\$ 5,000	\$ -	\$ 52,022
Total Capital Assets Being Depreciated	<u>47,022</u>	<u>5,000</u>	<u>-</u>	<u>52,022</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	16,704	9,988		26,692
Total Accumulated Depreciation	<u>16,704</u>	<u>9,988</u>	<u>-</u>	<u>26,692</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	30,318	(4,988)	-	25,330
Government Activity Capital Assets, Net	<u>\$ 30,318</u>	<u>\$ (4,988)</u>	<u>\$ -</u>	<u>\$ 25,330</u>

Depreciation expense of \$9,988 was charged as follows:

Instructional	\$ 9,404
Support	<u>584</u>
Total	<u>\$ 9,988</u>

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Rental Leases

The school leases classroom and office space at 764 Eleventh Avenue, Paterson, New Jersey. The lease is for 60 (sixty) months commencing July 1, 2012 and ending June 30, 2017. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2017	\$ 1,545,000
Total future minimum lease payments	\$ 1,545,000

NOTE IV: PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

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

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

Contributions

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

Contributions (Continued)

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 33,775 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 \$ 881,881 for its proportionate share of the net pension liability. The net pension liability was measured 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 0.003928551%, which was an increase of 0.00392855% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2015, the Charter School recognized no pension expense. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 94,707	\$ -
Difference Between Expected and Actual Experience	21,039	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	14,179
	\$ 115,746	\$ 14,179

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

Error! Not a valid link.

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2015 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 is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate-Term Bonds	10.00%	1.79%
Mortgage	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 US	3.50%	-0.40%
REIT	4.25%	5.12%

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2015 and June 30, 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2015 and June 30, 2014, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 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% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the Net Pension Liability	\$ 1,096,070	\$ 881,881	\$ 702,306

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

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

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

Pension Plan Fiduciary Net Position

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

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

Benefit Provided

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

Benefit Provided (Continued)

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tier 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon 65. Early retirement benefits are available to Tier 1 and 2 members before reaching age 60, to Tier 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 member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. 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 TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarially determined amount.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE IV: PENSION PLANS (CONTINUED)

Special Funding Situation

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 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 **\$Error! Not a valid link.** to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of .

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

As June 30, 2016, the State's proportionate share of the net pension liability associated with the Charter School was **\$Error! Not a valid link..** 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, Charter School's proportion was \$0, which was neither an increase nor decrease from its proportion measured as of June 30, 2014.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

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

Charter School's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with the Charter School		-
		<hr/>
Total	\$	-
		<hr/> <hr/>

For the fiscal year ended June 30, 2015, the State recognized pension expense on behalf of the Charter School in the amount of **\$Error! Not a valid link.** 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 related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Changes in Assumptions	\$ 7,200,153,386	\$ -
Difference Between Expected and Actual Experience	321,224,871	19,039,817
Changes in Proportion and differences between employer contributions and proportionate share of contributions	117,933,318	117,933,318
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		535,359,188
	<hr/>	<hr/>
	\$ 7,639,311,575	\$ 672,332,323
	<hr/> <hr/>	<hr/> <hr/>

The \$7,639,311,575 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$672,332,323 reported as a deferred inflow of resources resulting from the difference between projected and actual.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

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

Fiscal Year	Total
<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.

Error! Not a valid link.

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 200 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method 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 weighing 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 TPAF's target asset allocation as of June 30, 2015 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
U.S. Equity Markets	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- Multi Strategy	4.00%	4.59%
Hedge Funds- Equity Hedge	4.00%	5.68%
Hedge Funds- Distressed	4.00%	4.30%

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

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

The following presents the net pension liability of the State as of June 30, 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:

For the Fiscal Year Ended June 30, 2015			
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Charter School's proportionate share of the Net Pension Liability	\$ -	\$ -	\$ -

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

Pension Plan Fiduciary Net Position – TPAF

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

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE IV: PENSION PLANS (CONTINUED)

C. Defined Contribution Retirement Program (DCRP)

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

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

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

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

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2016. There were no employee contributions to DCRP for the fiscal year ended June 30, 2016.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE V: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 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 benefits changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at:

www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE VI: RISK MANAGEMENT

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

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

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

New Jersey Unemployment Compensation Insurance

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

NOTE VII: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

General Fund balance at June 30, 2016, is \$49,097 and unassigned.

NOTE VIII: SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 669,259	\$ 21,247	\$ 690,506	\$ 690,506	\$ -
Total Local Levy Budget	669,259	21,247	690,506	690,506	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	5,045,978	93,212	5,139,190	5,139,190	
Special Education Categorical Aid	115,041		115,041	111,178	(3,863)
Security Aid	198,816		198,816	198,816	
Total Categorical Aid	5,359,835	93,212	5,453,047	5,449,184	(3,863)
Revenues From Other Sources:					
Tuition				35,671	35,671
Donations and Contributions					
Miscellaneous Revenue		69,838	69,838	71,621	1,783
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				144,689	144,689
Reimbursed TPAF Pension Contributions (Non-Budgeted)				173,608	173,608
Total Revenues From Other Sources	-	69,838	69,838	425,589	182,143
Total Revenues	6,029,094	184,297	6,213,391	6,565,279	178,280
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,690,527	114,216	1,804,743	1,802,011	2,732
Other Salaries for Instruction	197,403	218,522	415,925	411,451	4,474
Purchased Prof/Tech Services	45,448	(30,588)	14,860	14,860	
Other Purchased Services	42,684	(11,314)	31,370	31,370	
General Supplies	146,000	(43,042)	102,958	102,958	
Textbooks	34,615	(12,078)	22,537	22,537	
Miscellaneous	43,000	(1,145)	41,855	4,928	36,927
Total Instruction	2,199,677	234,571	2,434,248	2,390,115	44,133
Administration:					
Salaries - General Administration	211,577	20,927	232,504	232,504	
Salaries of Secretarial/Clerical Assistants	60,636	(4,964)	55,672	55,672	
Total Benefits Cost	499,134	101,485	600,619	596,736	3,883
Purchases Prof/Tech Services	758,510	(63,754)	694,756	665,179	29,577
Communications/Telephone	39,855	(28,470)	11,385	11,385	
Travel	6,000	(6,000)			
Supplies and Materials	17,000	(14,800)	2,200	1,912	288
Miscellaneous Expenses	19,200	(8,696)	10,504	10,504	
Total Administration	1,611,912	(4,272)	1,607,640	1,573,892	33,748

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 301,675	\$ 52,648	\$ 354,323	\$ 354,143	\$ 180
Purchased Prof/Ed Services	52,800	112,744	165,544	165,544	
Purchased Prof/Tech Services	9,160	4,944	14,104	14,104	
Maintenance Services	65,400	(1,218)	64,182	63,532	650
Rental of Land and Buildings	1,493,500	62,000	1,555,500	1,555,500	
Other Purchased Services		30,000	30,000	30,000	
Transportation-Other Than To/From School	11,000	31,694	42,694	40,454	2,240
Insurance for Property, Liability and Fidelity	32,594	5,181	37,775	37,775	
Supplies and Materials	52,000	(16,376)	35,624	33,937	1,687
Energy Costs (Heat and Electricity)	160,272	(56,922)	103,350	103,350	
Travel	7,500	(5,731)	1,769	1,769	
Miscellaneous Expenses	15,725	(15,725)			
Total Support Services	2,201,626	203,239	2,404,865	2,400,108	4,757
Capital Outlay:					
Miscellaneous Expenses	33,800	(28,800)	5,000	5,000	-
Total Capital Outlay	56,800	(51,800)	5,000	5,000	-
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				144,689	(144,689)
Reimbursed TPAF Pension Contributions (Non-Budgeted)				173,608	(173,608)
Total Expenditures	6,070,015	381,738	6,451,753	6,687,412	(62,051)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,921)	(197,441)	(238,362)	(122,133)	116,229
FUND BALANCE, JULY 1	171,230		171,230	171,230	-
FUND BALANCE, JUNE 30	\$ 130,309	\$ (197,441)	\$ (67,132)	\$ 49,097	\$ 116,229
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 130,309	\$ (197,441)	\$ (67,132)	\$ 49,097	\$ 116,229
Total	\$ 130,309	\$ (197,441)	\$ (67,132)	\$ 49,097	\$ 116,229

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 481,176	\$ 318,509	\$ 799,685	\$ 736,319	\$ (63,366)
Total Revenues	481,176	318,509	799,685	736,319	(63,366)
EXPENDITURES:					
Instruction:					
Salaries	265,041	(71,716)	193,325	193,325	
Other Salaries for Instruction		72,991	72,991	72,991	
General Supplies	45,448	223,649	269,097	229,035	40,062
Total Instruction	310,489	224,924	535,413	495,351	40,062
Support Services:					
Salaries	24,671		24,671	24,671	
Personal Services - Employee Benefits	64,491	331	64,822	64,822	
Purchased Technical Services	47,820	(5,820)	42,000	42,000	
Other Purchased Services	28,105		28,105	27,237	868
Supplies and Materials		6,000	6,000		6,000
Total Support Services	165,087	511	165,598	158,730	6,868
Facilities Acquisition and Construction Services:					
Instructional Equipment	5,600	76,674	82,274	82,238	36
Total Facilities Acquisition and Construction Services	5,600	93,074	98,674	82,238	16,436
Total Expenditures	481,176	318,509	799,685	736,319	63,366
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2016

**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) "revenues" from the budgetary comparison schedules	[C-1] \$ 6,565,279	[C-2] \$ 736,319
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>6,565,279</u>	[B-2] \$ <u>736,319</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 6,687,412	[C-2] \$ 736,319
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>6,687,412</u>	[B-2] \$ <u>736,319</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Charter School's proportion of the net pension liability	N/A	N/A	0.003928551%
Charter School's proportionate share of the net pension liability	N/A	N/A	\$ 881,881
Charter School's covered employees payroll	N/A	N/A	\$ 1,056,281
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	N/A	N/A	83%
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	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.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	N/A	N/A	\$ 33,775
Contributions in relation to the contractually required contribution	N/A	N/A	<u>(33,775)</u>
Contribution deficiency/(excess)	N/A	N/A	<u>\$ -</u>
Charter School's covered employee payroll	N/A	N/A	\$ 1,056,281
Contributions as a percentage of covered employee payroll	N/A	N/A	3.20%

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable of the Charter School	N/A	N/A	0.00000000%
State's proportionate share of the net pension liability attributable to the Charter School	N/A	N/A	\$ -
CS / District's covered employees payroll	N/A	N/A	\$ 2,199,018
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	N/A	N/A	0.00%
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2016

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.55% as of June 30, 2014 to 5.39% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2016

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.95% as of June 30, 2014 to 4.68% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTAL INFORMATION

SECTION E – SPECIAL REVENUE FUND

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

E-1

	NCLB Title I	NCLB Title III	I.D.E.A. Part B	I.D.E.A. Preschool	NCLB Title II Part A	Other Federal Projects	Grand Total
REVENUE SOURCES:							
Federal	\$ 400,952	\$ 18,310	\$ 94,643	2,454	\$ 7,693	\$ 212,267	\$ 736,319
Total Revenues	<u>400,952</u>	<u>18,310</u>	<u>94,643</u>	<u>2,454</u>	<u>7,693</u>	<u>212,267</u>	<u>736,319</u>
EXPENDITURES:							
Instruction:							
Salaries	191,377			1,948			193,325
Other Salaries for Instruction	13,950		59,041				72,991
General Supplies	82,328	16,678				130,029	229,035
Total Instruction	<u>287,655</u>	<u>16,678</u>	<u>59,041</u>	<u>1,948</u>	<u>-</u>	<u>130,029</u>	<u>495,351</u>
Support Services:							
Salaries			24,671				24,671
Personal Services - Employee Benefits	53,385		10,931	506			64,822
Other Purchased Prof/Tech Services	42,000						42,000
Other Purchased Services	17,912	1,632			7,693		27,237
Total Support Services	<u>113,297</u>	<u>1,632</u>	<u>35,602</u>	<u>506</u>	<u>7,693</u>	<u>-</u>	<u>158,730</u>
Facilities Acquisition and Construction Services:							
Instructional Equipment						82,238	82,238
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,238</u>	<u>82,238</u>
Total Expenditures	<u>400,952</u>	<u>18,310</u>	<u>94,643</u>	<u>2,454</u>	<u>7,693</u>	<u>212,267</u>	<u>736,319</u>
Total Outflows	<u>400,952</u>	<u>18,310</u>	<u>94,643</u>	<u>2,454</u>	<u>7,693</u>	<u>212,267</u>	<u>736,319</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SECTION G – PROPRIETARY FUNDS

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

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

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

SECTION H – FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

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

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

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2016

	Agency			Total
	Payroll Agency	Net Payroll	Student Activities	Agency Fund
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 74	\$ 1,903	\$ 3,660	\$ 5,637
Total Current Assets	\$ 74	\$ 1,903	\$ 3,660	\$ 5,637
LIABILITIES				
Liabilities:				
Interfund Accounts Payable	\$ 74	\$ 1,903	\$ 1,224	\$ 3,201
Due to Student Activity			2,436	2,436
Total Liabilities	\$ 74	\$ 1,903	\$ 3,660	\$ 5,637

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 406	\$ 20,991	\$ 17,737	\$ 3,660
Due from Student Activities	<u>228</u>		<u>228</u>	
Total Assets	<u><u>\$ 634</u></u>	<u><u>\$ 20,991</u></u>	<u><u>\$ 17,965</u></u>	<u><u>\$ 3,660</u></u>
LIABILITIES:				
Interfund Accounts Payable	\$ 634	\$ 590	\$ -	\$ 1,224
Due to Student Activity		<u>20,401</u>	<u>17,965</u>	<u>2,436</u>
Total Liabilities	<u><u>\$ 634</u></u>	<u><u>\$ 20,991</u></u>	<u><u>\$ 17,965</u></u>	<u><u>\$ 3,660</u></u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and Cash Equivalents	\$ 10,929	\$ 1,477,989	\$ 1,488,844	\$ 74
Total Assets	<u>\$ 10,929</u>	<u>\$ 1,477,989</u>	<u>\$ 1,488,844</u>	<u>\$ 74</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 10,929	\$ -	\$ 10,855	\$ 74
Payroll Deductions and Withholdings		1,477,989	1,477,989	-
Total Liabilities	<u>\$ 10,929</u>	<u>\$ 1,477,989</u>	<u>\$ 1,488,844</u>	<u>\$ 74</u>

**STATISTICAL SECTION
(UNAUDITED)**

Paterson Arts and Science Charter School has been in operation for three (3) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for three (3) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Net Position by Component
(Accrual Basis of Accounting)
(Unaudited)
Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities			
Net Investment in Capital Assets	\$ 25,330	\$ 30,318	\$ (44,543)
Unassigned (Deficit)	<u>(73,414)</u>	<u>171,230</u>	<u>233,566</u>
Total Governmental Activities Net Position (Deficit)	<u>\$ (48,084)</u>	<u>\$ 201,548</u>	<u>\$ 189,023</u>
Business-Type Activities			
Unassigned	\$ 100,813	\$ 64,228	34,644
Total Business-Type Activities Net Position	<u>\$ 100,813</u>	<u>\$ 64,228</u>	<u>\$ 34,644</u>
Charter School-wide			
Net Investment in Capital Assets	\$ 25,330	\$ 30,318	\$ (44,543)
Unassigned	<u>27,399</u>	<u>235,458</u>	<u>268,210</u>
Total Charter School Net Position	<u>\$ 52,729</u>	<u>\$ 265,776</u>	<u>\$ 223,667</u>

Source: Comprehensive Annual Financial Report

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Changes in Net Position
(Accrual Basis of Accounting)
(Unaudited)
Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses			
Governmental Activities:			
Instruction	\$ 2,982,045	\$ 2,426,866	\$ 1,949,067
Administration	1,700,202	1,465,342	889,144
Support Services	2,786,745	2,058,874	1,153,921
Capital Outlay	82,238	17,521	195,859
Total Governmental Activities Expenses	<u>7,551,230</u>	<u>5,968,603</u>	<u>4,187,991</u>
Business-Type Activities:			
Food Service and Before & After School Care	260,231	255,499	141,339
Total Business-Type Activities Expenses	<u>260,231</u>	<u>255,499</u>	<u>141,339</u>
Total Charter School Expenses	<u>\$ 7,811,461</u>	<u>\$ 6,224,102</u>	<u>\$ 4,329,330</u>
Program Revenues			
Governmental Activities:			
Operating Grants and Contributions	\$ 111,178	\$ -	\$ -
Total Governmental Activities Program Revenues	<u>111,178</u>	<u>-</u>	<u>-</u>
Business-Type Activities:			
Charges for Services	74,833	63,351	90,856
Operating Grants and Contributions	221,983	221,417	85,127
Total Business-Type Activities Program Revenues	<u>296,816</u>	<u>284,768</u>	<u>175,983</u>
	<u>\$ 407,994</u>	<u>\$ 284,768</u>	<u>\$ 175,983</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (7,440,052)	\$ (5,968,603)	\$ (4,187,991)
Business-Type Activities	36,585	29,269	34,644
Total Charter School-wide Net Expense	<u>\$ (7,403,467)</u>	<u>\$ (5,939,334)</u>	<u>\$ (4,153,347)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Federal and State Aid Not Restricted	\$ 7,128,941	\$ 5,339,419	3,910,088
Tuition	35,671	600	
Miscellaneous Income	25,808	641,109	466,926
Total Governmental Activities	<u>7,190,420</u>	<u>5,981,128</u>	<u>4,377,014</u>
Total Charter School-wide	<u>\$ 7,190,420</u>	<u>\$ 5,981,128</u>	<u>\$ 4,377,014</u>
Change in Net Position			
Governmental Activities	\$ (249,632)	\$ 12,525	\$ 189,023
Business-Type Activities	36,585	29,269	34,644
Total Charter School	<u>\$ (213,047)</u>	<u>\$ 41,794</u>	<u>\$ 223,667</u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Fund Balances - Governmental Funds
(Modified Accrual Basis of Accounting)
(Unaudited)
Last Three Fiscal Years

	Fiscal Year Ending June 30,		
	2016	2015	2014
General Fund			
Restricted	\$ -	\$ 9,565	\$ 11,750
Unassigned	49,097	161,665	140,154
Total General Fund	\$ 49,097	\$ 171,230	\$ 151,904

Source: Comprehensive Annual Financial Report

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
(Modified Accrual Basis of Accounting)
 (Unaudited)
 Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:			
Local Sources:			
Local Tax Levy	\$ 690,506	\$ 634,639	\$ 450,698
Tuition	35,671	600	-
Miscellaneous	71,621	6,470	16,228
State Sources	5,767,481	5,010,157	3,746,721
Federal Sources	736,319	329,262	163,367
Total Revenues	<u>7,301,598</u>	<u>5,981,128</u>	<u>4,377,014</u>
Expenditures:			
Instruction	2,885,466	2,291,167	1,752,828
Administration	1,573,892	1,546,796	1,169,805
Support Services	2,877,135	2,103,839	1,107,618
Capital Outlay	87,238	20,000	194,859
Total Expenditures	<u>7,423,731</u>	<u>5,961,802</u>	<u>4,225,110</u>
Net Change in Fund Balance	<u>\$ (122,133)</u>	<u>\$ 19,326</u>	<u>\$ 151,904</u>

Source: Comprehensive Annual Financial Report

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
(Modified Accrual Basis of Accounting)
 (Unaudited)
Last Three Fiscal Years

Fiscal Year Ending June 30,	Donations	Tuition	Miscellaneous Revenue	Annual Total
2016	\$ -	\$ 35,671	\$ 71,621	\$ 107,292
2015	1,200		5,270	6,470
2014	330		15,898	16,228

Source: Charter School records

OPERATING INFORMATION

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 (Unaudited)
Last Three Fiscal Years

Function	2016	2015	2014
Instruction	46	33	22
Administrative	7	4	3
Support Services	5	29	14
Total	58	66	39

Source: Charter School Personnel Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Operating Statistics

(Unaudited)

Last Three Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2016	475	\$ 7,336,493	\$ 15,445	7.88%	46	10:1	475	475	16.63%	100.00%
2015	415	5,941,802	14,318	17.23%	33	13:1	396	396	18.94%	100.00%
2014	330	4,030,251	12,213	0.00%	22	15:1	321	321	0.00%	0.00%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

b Teaching staff includes only full-time equivalents of certified staff.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
School Building Information
(Unaudited)
Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Charter School Building</u>			
<u>Elementary</u>			
Square Feet	70,000	23,963	23,963
Capacity (students)	480	420	330
Enrollment	475	415	330

Number of Schools at June 30, 2016
Elementary/Middle School = 1 (Grades K-7)

Source: Charter School Facilities Office

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

ARTHUR J. GALLAGHER
RISK MANAGEMENT SERVICES, INC.
707 STATE ROAD - P.O. BOX 83
PRINCETON, NEW JERSEY 08542
PHONE: 609 924-5000

Prepared For:

PATERSON ARTS & SCIENCE CHARTER SCHOOL
465 BOULEVARD
ELMWOOD PARK, NJ

DATE PREPARED: 10/28/2015

COVERAGE	AMOUNTS/LIMIT	TERM	EXPIRES	COMPANY	POLICY #	PREMIUM
<i>School Location: 764-804 11th Avenue, Paterson, NJ</i>						
<i>Central Office: 465 Blvd, Elmwood Park, NJ</i>						
Package Policy		1 YR	7/1/2016	NJSIG	P993AG	\$21,355.40
Loc #1)Business Personal Property	\$300,000					
Loc#2)Business Personal Property	\$0					
Extra Expense	25% of contents limit					
Valuable Papers & Records	\$25,000					
Deductible: \$1000						
Business Income	\$2,000,000					
Flood Zones A & V (Special Hazard)	\$20,000,000					
Deductible	\$500,000					
All other Flood Zones NJSBAIG Agg	\$75,000,000					
Deductible	\$10,000					
EDP						
Blanket Hardware/Software	\$250,000					
Blanket Extra Expense	included					
Transit	\$25,000					
Loss of Income	\$10,000					
Deductible: \$1000						
Equipment Breakdown						
Property Damage & Extra Expense	\$100,000,000					
Deductible	\$1,000					
Crime						
Public Employee Dishonesty	\$250,000					
Loss of Money & Securities	\$50,000					
Money Orders & Counterfeit	\$50,000					
Forgery or Alteration	\$250,000					
Computer Fraud/\$1K ded	\$250,000					

We present this schedule so you may get an overall picture of your insurance protection. If you have policies from other insurance offices we suggest you add them to this list to present the complete picture.

Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

Prepared For: **PATERSON ARTS & SCIENCE CHARTER SCHOOL**

DATE PREPARED: 10/28/2015

COVERAGE	AMOUNTS/LIM	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM
<u>General Liability</u>						
Each Occurrence	\$16,000,000					
Products/Completed Ops annual agg	\$16,000,000					
Sexual Abuse per occurrence	\$16,000,000					
Sexual Abuse annual pool agg	\$17,000,000					
Personal & Advertising Injury per occ	\$16,000,000					
Personal & Adver. Injury Ann Agg	\$16,000,000					
Employee Benefits	\$16,000,000					
Employee Benefits Deductible	\$1,000					
Premises Medical Payment per person	\$5,000					
<u>Business Auto</u>						
Hired & Non-Owned Auto Liability	\$16,000,000					
<u>ERRORS & OMISSIONS</u>						
Coverage A - Limit of Liability	\$16,000,000	1 YR.	7/1/2016	NJSIG	E993AG	\$11,899.87
Deductible each claim: \$5,000						
Coverage B - Limit of Liability						
Each Claim	\$100,000					
Each Policy Period	\$300,000					
Deductible each claim: \$5,000						
<u>WORKERS COMPENSATION</u>						
<u>(NJEIF Sub-Fund) Discount 0.5210</u>						
Employers Liability Limits		1 YR.	7/1/2016		W993AG	\$39,645.88
Bodily Injury by Accident	\$2,000,000					
Bodily Injury by Disease per employee	\$2,000,000					
Bodily Injury by Disease aggregate	\$2,000,000					

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Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

Prepared For: **PATERSON ARTS & SCIENCE CHARTER SCHOOL**

DATE PREPARED: 10/28/2015

COVERAGE	AMOUNTS/LIMIT	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM
<u>SUPPLEMENTAL INDEMNITY</u>		1 YR.	9/1/2016	FEDERAL INS CO (CHUBB)	9907-15-88	\$1,165.40
Maximum Benefit Period	52 Weeks					
Maximum Weekly Benefit	\$2,500					
7 day waiting period						
<u>STUDENT ACCIDENT</u>		1 YR.	7/31/2015	Zurich American Ins Co (Bollinger)	PB177	\$1,379
Basic Sports K-8 (no football)	Full Excess					
Maximum Benefit	\$1,000,000					
Volunteers	\$25,000					
<u>PUBLIC OFFICIAL BONDS **</u>		1 YR	7/1/2016	NJSIG	Included in P937AF	<i>included</i>
(included in Package Policy)						
1) Recep Ornek - Bd. Secretary	\$195,000					
2) Chris Lessard - Board Administrator	\$195,000					
3) Nila Pardo, Treasurer	\$150,000					
<u>FF CATASTROPHIC ACCESS PROGRAM</u>		1 YR.	7/1/2016	FIREMANS FUND INDEMNITY CO (Allianz)	SHX-000-5798-7810	\$1,888
Group Policy						
Each Occurrence Limit	\$50,000,000					
2 X Replenishment Factor	\$50,000,000					
EPL Sub-limit	\$25,000,000					

We present this schedule so you may get an overall picture of your insurance protection. If you have policies from other insurance offices we suggest you add them to this list to present the complete picture.

Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2014 Audit	2015 Audit	2016 Audit	Source
Cash	\$ 196,440	\$ 251,855	\$ 157,992	Audit: Exhibit A-1
Current Assets (includes CASH)	137,077	605,187	445,450	Audit: Exhibit A-1
Total Assets	383,353	644,855	480,051	Audit: Exhibit A-1
Current Liabilities	159,371	379,394	304,811	Audit: Exhibit A-1
Total Liabilities	159,371	379,394	1,186,693	Audit: Exhibit A-1
Net Assets	223,982	265,461	52,729	Audit: Exhibit A-1
Total Revenue	4,549,339	6,093,571	7,598,414	Audit: Exhibit A-2
Total Expenses	4,325,357	6,052,092	7,811,461	Audit: Exhibit A-2
Change in Net Assets	223,982	41,479	(213,047)	Audit: Exhibit A-2
Depreciation Expense	7,424	9,280	9,988	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	321,20	396,00	475,00	DOE Enrollment Reports
March 30th Budgeted Enrollment	360	384	480	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2014	2015	2016	3 YR CUM	Target
1a. Current Ratio	0.86	1.60	1.46		> 1.1
1b. Unrestricted Days Cash	16.58	15.19	7.38		30-60
1c. Enrollment Variance	89%	103%	99%		>95%
1d.* Default	N/A	N/A	N/A		not in default
Sustainability Indicators					
2a. Total Margin	5%	1%	-3%		positive
2b. Debt to Asset	0.42	0.59	2.47		<.9
2c.** Cash Flow	196,440	55,415	(93,863)	157,992	3 yr cum positive
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		>1.10

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2016 = 2016 Cash - 2015 Cash; 2015 = 2015 Cash - 2014 Cash; 2014 = 2014 Cash - 2013 Cash

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Union, New Jersey 07083

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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 AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Paterson Arts and Science Charter School
County of Passaic
Elmwood Park, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paterson Arts and Science Charter School (Charter School), in the County of Passaic, State of New Jersey, 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 and have issued our report thereon dated November 28, 2016.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



BARRE & COMPANY
Certified Public Accountants
Public School Accountants



Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
November 28, 2016

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH UNIFORM GUIDANCE AND NEW JERSEY CIRCULAR 15-08 OMB**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Paterson Arts and Science Charter School
County of Passaic
Elmwood Park, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Paterson Arts and Science Charter School's (Charter School) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the New Jersey Circular 15-08 OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016. The Charter School's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Paterson Arts and Science Charter School, in the County of Passaic, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Paterson Arts and Science Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey Circular 15-08 OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

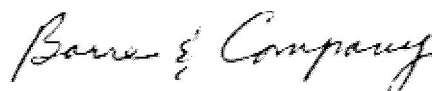
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of State Financial Assistance as Required by New Jersey Circular 15-08-OMB

We have audited the financial statements of the governmental activities, the business-activities, each major fund, and the aggregate remaining fund information of the Paterson Arts and Science 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 Charter School's basic financial statements. We issued our report thereon dated November 28, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey Circular 15-08-OMB are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



BARRE & COMPANY
Certified Public Accountants
Public School Accountants



Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
November 28, 2016

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2015	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2016	
												Accounts Receivable	Deferred Revenue
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind Cluster:													
Title I Part A	84.010A	S010A150030	NCLB - 6096 - 16	\$ 400,952	7/1/15	\$ -	\$ -	\$ 400,166	\$ (400,952)	\$ -	\$ -	\$ (786)	\$ -
Title I Part A Carryover	84.010A		NCLB - 6096 - 15	299,363	7/1/14	(80,187)		80,187					
Title I Part A Carryover	84.010A		NCLB - 6096 - 14	112,420	7/1/13	(9,663)		9,663					
Title III	84.365A	S365A150030	NCLB - 6096 - 16	19,178	9/1/15			18,310	(18,310)				
Title II Part A	84.367A	S367A150029	NCLB - 6096 - 16	7,693	9/1/15	(89,650)		7,693	(7,693)			(786)	
Total No Child Left Behind Cluster								516,019	(426,955)				
Individuals with Disabilities Cluster:													
I.D.E.A. Part B Basic	84.027	H027A150100	IDEA - 6096 - 16	94,643	7/1/15			84,663	(94,643)			(9,980)	
I.D.E.A. Part B Basic Carryover	84.027		IDEA - 6096 - 15	63,368	9/1/14	(24,169)		24,169					
I.D.E.A. Preschool	84.173	H173A150114	IDEA - 6096 - 16	2,454	9/1/15			108,832	(2,454)			(2,454)	
Total Individuals with Disabilities Cluster								108,832	(97,097)			(2,454)	
Other Special Revenue Funds:													
Public Charter Schools (CSP Grant)	84.282	U282A120015	N/A	799,685	9/1/15			169,723	(212,267)			(42,544)	
Total Other Special Revenue Funds								169,723	(212,267)			(42,544)	
Total Special Revenue Fund						(114,019)		794,574	(736,319)			(55,764)	
U.S. Department of Agriculture													
Passed-through State Department of Agriculture													
Enterprise Fund:													
School Breakfast Program	10.553	16161N304N1099	N/A	35,376	7/1/15			33,071	(35,376)			(2,305)	
School Breakfast Program	10.553		N/A	23,239	7/1/14	(4,085)		4,085					
National School Lunch Program	10.555	16161N304N1099	N/A	182,126	7/1/15			169,163	(182,126)			(12,943)	
National School Lunch Program	10.555		N/A	171,777	7/1/14	(27,958)		27,956					
Child Care Food Program	10.558	16161N304N1099	N/A	12,519	7/1/15			11,542	(12,519)			(577)	
Child Care Food Program	10.558		N/A	21,246	7/1/14	(2,163)		12,443					
Fresh Fruits and Vegetable Program	10.582	16161N304L1603	N/A	23,100	7/1/15			19,368	(23,100)			(3,732)	
Total Enterprise Fund						(34,206)		267,770	(253,121)			(19,557)	
Sub-Total Federal Financial Awards						(148,225)		1,062,344	(989,440)			(75,321)	

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2016

State Grantor/Program Title	Grant or State Project Number	Program or Project Amount	Grant Period		Balance at June 30, 2015		Carryover (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversal of Prior Year's Balance	Balance at June 30, 2016		MEMO	
			From	To	Deferred Revenue (Accounts Receivable)	Deferred Revenue (Accounts Payable)					Budgetary Receivable	Cumulative Total Expenditures		
State Department of Education														
General Fund:														
State Aid - Public Cluster														
Equalization Aid	16-495-034-5120-071	\$ 5,139,190	7/1/15	6/30/16	\$ -	\$ -	\$ 5,120,955	\$ (5,139,190)	\$ -	\$ -	\$ (18,235)	\$ -	\$ 18,235	\$ 5,139,190
Special Education Categorical Aid	16-495-034-5120-089	111,178	7/1/15	6/30/16	-	-	111,178	(111,178)	-	-	-	-	-	111,178
Security Aid	16-495-034-5120-084	198,816	7/1/15	6/30/16	-	-	186,816	(198,816)	-	-	-	-	-	198,816
Total State Aid - Public Cluster							5,430,949	(5,449,184)			(18,235)		18,235	5,449,184
On-Behalf TPAF Pension Contributions	16-495-034-5095-006	173,608	7/1/15	6/30/16	-	-	173,608	(173,608)	-	-	(10,770)	-	10,770	173,608
Reimbursed TPAF - Social Security	16-495-034-5095-002	144,689	7/1/15	6/30/16	-	-	133,919	(144,689)	-	-	-	-	-	144,689
Reimbursed TPAF - Social Security	15-495-034-5095-002	108,565	7/1/14	6/30/15	(18,407)	-	18,407	-	-	-	-	-	-	144,689
Total General Fund					(18,407)	-	5,756,983	(5,767,481)			(29,005)	-	29,005	5,767,481
State Department of Agriculture														
Enterprise Fund														
National School Lunch Program (State Share)	16-100-010-3350-023	3,609	7/1/15	6/30/16	(641)	-	3,355	(3,609)	-	-	(254)	-	254	3,609
National School Lunch Program (State Share)	15-100-010-3350-023	3,156	7/1/14	6/30/15	(641)	-	541	-	-	-	-	-	-	3,156
Total Enterprise Fund					(1,282)	-	3,896	(3,609)			(254)	-	254	3,609
Total All Funds					(18,948)	-	5,760,779	(5,771,090)			(29,259)	-	29,259	5,771,090
State Financial Assistance Not Required to Major Program Determination:														
General Funds:														
On-Behalf TPAF Pension Contributions	16-495-034-5095-006	173,608	7/1/15	6/30/16	(18,948)	-	5,587,171	(173,608)			(29,259)	-	29,259	5,597,482
Total State Financial Assistance Subject to Single Audit					(18,948)	-	5,587,171	(173,608)			(29,259)	-	29,259	5,597,482

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2016

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2016

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 5,767,481	\$ 5,767,481
Special Revenue Fund	736,319		736,319
Food Service Fund	218,915	3,068	221,983
Total Awards & Financial Assistance	<u>\$ 955,234</u>	<u>\$ 5,770,549</u>	<u>\$ 6,725,783</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Paterson Arts and Science Charter School has no loan balances outstanding at June 30, 2016.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2016

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	<u>Total</u>
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 400,952
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	7,693
Title III: <i>English Language Acquisition</i>	<u>18,310</u>
Total	<u>\$ 426,955</u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u> X </u>
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	_____ Yes	<u> X </u> No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	No Child Left Behind Cluster:
_____ 84.010A _____	_____ Title I Part A _____
_____ 84.010A _____	_____ Title I Part A Carryover _____
_____ 84.365A _____	_____ Title III _____
_____ 84.367A _____	_____ Title II Part A _____
_____ 10.555 _____	_____ Child Nutritional Program Cluster _____

Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

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

State Awards

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with NJ Circular 15-08-OMB, as applicable? _____ Yes X No

Identification of major state programs:

GMIS Number(s)	Name of State Program
	STATE AID – PUBLIC CLUSTER
<u>16-495-034-5120-071</u>	<u>Equalization Aid</u>
<u>16-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>16-495-034-5120-084</u>	<u>Security Aid</u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section II –Financial Statement Findings

The section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

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

This section identifies audit findings required to be reported by Title 2 CFR 200 Section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJ Circular 15-08-OMB, as applicable.

No Current Year Findings

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and
Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2016

STATUS OF PRIOR-YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (511 (a)(b)) and NJ Circular 04-04-OMB and/or 15-08-OMB, as applicable.

No Prior Year Findings