

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2016

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

***University Academy Charter High School
Jersey City, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Prepared by
University Academy Charter High School
Finance Department**

**And
Barre & Company, CPAs**

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INTRODUCTORY SECTION

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
275 WEST SIDE AVENUE
JERSEY CITY, NEW JERSEY 07305-1597
201-200-3200**

December 2, 2016

Honorable President and
Members of the Board of Trustees
University Academy Charter High School
County of Hudson
Jersey City, New Jersey

Dear Board Members:

The comprehensive annual financial report of the University Academy Charter High 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 elected eight-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 Business Administrator/Board Secretary 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: University Academy Charter High School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. The Charter School’s Board of Trustees, constitutes the Charter School’s reporting entity.

The University Academy Charter High School provides a full range of educational services appropriate to grades 9 through 12. The charter school completed its twelfth year of operation at June 30, 2016 during which there was an average enrollment of approximately 426 students.

The Charter School is located on the campus of New Jersey City University. The convenience of this location affords the Charter High School the ability to use certain college facilities, plus it provides students with an introduction to student perspective as seen from a college campus.

REPORTING ENTITY AND ITS SERVICES (CONTINUED)

The following details the student enrollment of the Charter School.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-2016	426	2.65%
2014-2015	415	0.48%
2013-2014	413	0.24%
2012-2013	412	-1.20%
2011-2012	417	-0.48%

2. MAJOR INITIATIVES: Major initiatives for the 2015-2016 school year included continuing efforts to improve student performance. Improvements were made to the school's technological infrastructure. The school also achieved "Adequate Yearly Progress" via safe harbor on NCLB achievement benchmarking for both Mathematics and Language Arts. The school also instituted a tutoring program with the co-operation of NJ City University. Major improvements to the school made during 2015-2016 were for technology infrastructure so that the school was ready for the new IT testing that will be required by the State.

3. 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 Board of Trustees also is 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 Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control 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, regulations, contracts, and grants.

4. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

5. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to Basic 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 deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

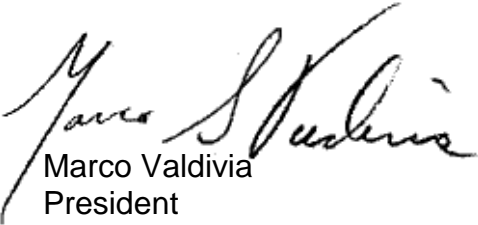
6. RISK MANAGEMENT: The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in J-20.

7. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPAs, 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 OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditor’s report on the basic financial statements and specific required supplemental information are included in the financial section of this report. The auditor’s reports, related specifically to the single audit, are included in the single audit section of this report.

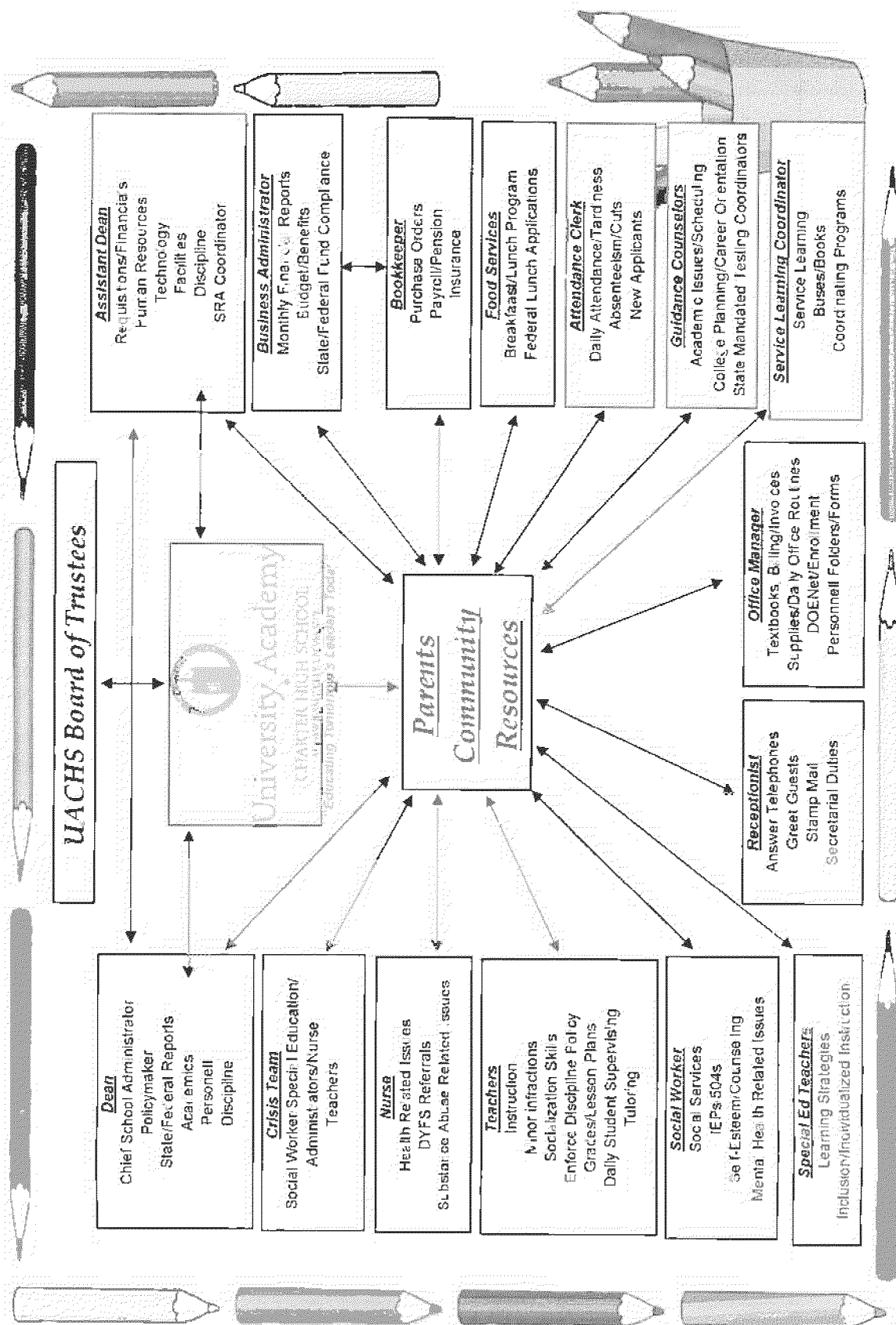
8. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the University Academy Charter High School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the 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,



Marco Valdivia
President

University Academy Charter H.S. Organizational Chart



**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

MEMBERS OF THE BOARD OF TRUSTEES

Sergio Riquelme, President

Glenda Almeida, Treasurer

Jaclyn Lenez, Vice President

Migdalia Viole Hernandez, Trustee

Ronald Hurley, Trustee

Carmen Torres Izquierdo, Secretary

Demond Hargrove, Trustee

Donna Collins, Trustee

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Daniel T. Perlman, Esq.
Perlman & Associates, LLC
Attorneys at Law
The Clam Broth Building
36-42 Newark Street
Hoboken, NJ 07030

Official Depository

TD Bank North
1100 Lake Street
Ramsey, NJ 07446

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Independent Auditor's Report

Honorable President
Members of the Board of Trustees
University Academy Charter High School
County of Hudson
Jersey City, 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 University Academy Charter High School (Charter School), in the County of Hudson, 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 University Academy Charter High School, in the County of Hudson, 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 for TPAF and PERS and District's PERS Contributions and the related notes starting on pages 16, 76 and 83, 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information 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 December 2, 2016 on our consideration of the University Academy Charter High 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.



BARRE & COMPANY
Certified Public Accountants
Public School Accountants



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

Union, New Jersey
December 2, 2016

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

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

The discussion and analysis of University Academy Charter High 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.

Financial Highlights

Key financial highlights for 2016 are as follows:

- ❖ General revenues accounted for \$6,682,977 in revenue or 94% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$447,024 or 6% percent of total revenues of \$7,130,001.
- ❖ The Charter School had \$7,337,295 in expenses; only \$447,024 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,682,977 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$6,655,740 in revenues and \$6,724,274 in expenditures. The General Fund's fund balance decreased \$68,534 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 University Academy Charter High School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

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

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

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Charter School does not maintain any business-type activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

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

Proprietary Fund

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 38 of this report.

The Charter School as a Whole

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

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

The Charter School's combined net position were \$1,691,923 for 2016 and \$1,899,217 for 2015.

Governmental Activities

The Charter School's total revenues were \$6,992,430 for June 30, 2016, and \$7,049,056 for 2015, which includes \$229,501 for 2016 and \$216,166 for 2015 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$7,178,787 for 2016 and \$7,148,329 for 2015. Instruction comprises \$3,248,242 for 2016 and \$3,239,339 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. The net cost shows the financial burden that was placed on the Charter School's taxpayers by each of these functions.

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

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

Governmental Activities (Continued)

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.

Business-Type Activities

Revenues for the Charter School's business-type activities (Food Service) were comprised of federal and state reimbursements. These reimbursements for meals, including payments for free and reduced lunches and breakfast snack program, were \$120,902 for 2016.

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 \$6,992,430 for 2016 and \$7,049,056 for 2015 and expenditures were \$7,060,964 for 2016 and \$7,089,909 for 2015. The net change in fund balance for fiscal years 2016 and 2015 was most significant in the general fund, a decrease of \$68,534 for 2016 and a decrease of \$40,853 for 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, and the amount and percentage of increases and decreases in relation to prior year revenues.

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

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

The Charter School's Funds (Continued)

Revenues	Amount	2015 Amount	Percent of Total	Increase/ (Decrease) From 2015	Percent of Increase/ (Decrease)
Local Sources	\$ 1,500,270	\$ 1,677,856	21.45%	\$ (177,586)	-10.58%
State Sources	5,155,470	5,034,015	73.73%	121,455	2.41%
Federal Sources	336,690	337,185	4.82%	(495)	-0.15%
Total	\$ 6,992,430	\$ 7,049,056	100.00%	\$ (56,626)	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	2015 Amount	Percent of Total	Increase/ (Decrease) From 2015	Percent of Increase/ (Decrease)
Instruction	\$ 3,248,242	\$ 3,214,611	46.00%	\$ 33,631	1.05%
Administration	1,977,581	2,180,402	28.01%	(202,821)	-9.30%
Support Services	1,773,456	1,565,263	25.12%	208,193	13.30%
Capital Outlay	61,685	129,633	0.87%	(67,948)	-52.42%
Total	\$ 7,060,964	\$ 7,089,909	100.00%	\$ (28,945)	

Changes in expenditures were the results of varying factors. Current expense decreased due to a reclassification of FICA reimbursements as a net against benefit expenses. Had this reclassification not been made expenses would have increased by about \$188,000 mostly due to increases in support salaries and rent expense.

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY**

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

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

The Charter School had \$352,886 invested in building improvements and equipment at the end of the fiscal year 2016.

For the Future

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

In conclusion, University Academy Charter High 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. Nicholas Puzo, CPA, School Accountant at University Academy Charter High School, 275 West Side Avenue, Jersey City, New Jersey 07305-1597.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 3,322,492	\$ 50,478	\$ 3,372,970
Interfund Receivables	450,969	-	450,969
Receivables	228,662	6,075	234,737
Capital Assets, Net	352,886	81,475	434,361
Total Assets	4,355,009	138,028	4,493,037
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	328,436	-	328,436
Total Deferred Outflows of Resources	328,436	-	328,436
LIABILITIES:			
Interfund Payable	93,616	44,641	138,257
Payable to State Government	213,617	-	213,617
Payable to Federal Government	69,868	-	69,868
Accounts Payable	900,162	5,972	906,134
Deferred Rent Payable	438,522	-	438,522
Noncurrent Liabilities:			
Pension	1,341,582	-	1,341,582
Total Liabilities	3,057,367	50,613	3,107,980
DEFERRED INFLOWS OF RESOURCES:			
Pensions	21,570	-	21,570
Total Deferred Inflows of Resources	21,570	-	21,570
NET POSITION:			
Net Investments in Capital Assets/ Invested in Capital Assets, Net of Related Debt	352,886	115,127	468,013
Restricted for:			
Escrow	75,000	-	75,000
Unassigned	1,176,622	(27,712)	1,148,910
Total Net Position	\$ 1,604,508	\$ 87,415	\$ 1,691,923

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

UNIVERSITY ACADEMY CHARTER HIGH 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	\$ 3,248,242	\$ 928,320	\$ -	\$ 309,453	\$ -	\$ (3,867,109)	\$ -	\$ (3,867,109)
Administration	746,928	170,827	-	-	-	(917,755)	-	(917,755)
Support Services	1,773,456	208,009	-	-	-	(1,981,465)	-	(1,981,465)
Capital Outlay	61,685	-	-	-	-	(61,685)	-	(61,685)
Unallocated Depreciation	41,320	-	-	-	-	(41,320)	-	(41,320)
Total Governmental Activities	5,871,631	\$ 1,307,156	\$ -	\$ 309,453	\$ -	\$ (6,869,334)	\$ -	\$ (6,869,334)
BUSINESS-TYPE ACTIVITIES:								
Food Service	158,508	-	16,669	120,902	-	-	(20,937)	(20,937)
Total Business-Type Activities	158,508	-	16,669	120,902	-	-	(20,937)	(20,937)
Total Primary Government	\$ 6,030,139		\$ 16,669	\$ 430,355	\$ -	\$ (6,869,334)	\$ (20,937)	\$ (6,890,271)
GENERAL REVENUES								
General Purposes			\$ 1,484,744	\$ -	\$ -	\$ 1,484,744	\$ -	\$ 1,484,744
Federal and State Aid Not Restricted			5,182,707	-	-	5,182,707	-	5,182,707
Investment Earnings			4,261	-	-	4,261	-	4,261
Miscellaneous Income			11,265	-	-	11,265	-	11,265
Total General Revenues			6,682,977	-	-	6,682,977	-	6,682,977
Change in Net Position			(186,357)			(186,357)	(20,937)	(207,294)
Net Position- Beginning of Year			1,790,865			1,790,865	108,352	1,899,217
Net Position - Ending			\$ 1,604,508			\$ 87,415	\$ -	\$ 1,691,923

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2016

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 3,322,492	\$ -	\$ 3,322,492
Receivables:			
Interfund Receivables	450,969		450,969
Receivables From Other Governments	135,046	93,616	228,662
	<u>\$ 3,908,507</u>	<u>\$ 93,616</u>	<u>\$ 4,002,123</u>
Total Assets			
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 93,616	\$ 93,616
Payable to State Government	213,617		213,617
Payable to Federal Government	69,868		69,868
Accounts Payable	303,978		303,978
Contracts Payable	596,184		596,184
Deferred Rent Payable	438,522		438,522
	<u>1,622,169</u>	<u>93,616</u>	<u>1,715,785</u>
Total Liabilities			
Fund Balances:			
Reserved For:			
Escrow	75,000		75,000
Unreserved:			
General Fund	2,211,338		2,211,338
	<u>2,286,338</u>	<u>-</u>	<u>2,286,338</u>
Total Fund Balances			
Total Liabilities and Fund Balances	<u>\$ 3,908,507</u>	<u>\$ 93,616</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$644,543 and the accumulated depreciation is \$291,657.

352,886

Net pension liability of \$1,341,582, deferred inflows of resources of \$21,570 less deferred outflows of resources of \$328,436 related to pensions are not reported in the governmental funds

(1,034,716)

Net Position of Governmental Activities

\$ 1,604,508

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

UNIVERSITY ACADEMY CHARTER HIGH 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	\$ 1,484,744	\$ -	\$ 1,484,744
Interest on Investments	4,261		4,261
Miscellaneous	11,265		11,265
Total Local Sources	1,500,270		1,500,270
State Sources	5,155,470		5,155,470
Federal Sources		336,690	336,690
Total Revenues	6,655,740	336,690	6,992,430
EXPENDITURES:			
Instruction	2,945,824	302,418	3,248,242
Administration	1,977,581		1,977,581
Support Services	1,739,184	34,272	1,773,456
Capital Outlay	61,685		61,685
Total Expenditures	6,724,274	336,690	7,060,964
NET CHANGE IN FUND BALANCES	(68,534)	-	(68,534)
FUND BALANCES, JULY 1	2,354,872	-	2,354,872
FUND BALANCES, JUNE 30	\$ 2,286,338	\$ -	\$ 2,286,338

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

UNIVERSITY ACADEMY CHARTER HIGH 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)		\$ (68,534)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (41,320)	
Capital Outlay	-	(41,320)
<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>		
		(76,503)
Change in net position of governmental activities		\$ (186,357)

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

PROPRIETARY FUNDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Proprietary Fund
Statement of Net Position
June 30, 2016

Business-type Activities - Enterprise Fund	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 50,478
Intergovernmental Accounts Receivable:	
Federal	5,995
State	<u>80</u>
Total Current Assets	<u>56,553</u>
Noncurrent Assets:	
Buildings and Building Improvements	103,198
Accumulated Depreciation on Building and Building Improvements	(27,519)
Machinery and Equipment	28,984
Accumulated Depreciation on Machinery and Equipment	<u>(23,188)</u>
Total Noncurrent Assets	<u>81,475</u>
Total Assets	<u><u>\$ 138,028</u></u>
LIABILITIES AND NET POSITION:	
Liabilities:	
Current Liabilities:	
Interfund Accounts Payable	\$ 44,641
Accounts Payable	<u>5,972</u>
Total Liabilities	<u>50,613</u>
Net Position:	
Net Investment in Capital Assets	115,127
Unrestricted	<u>(27,712)</u>
Total Net Position	<u>87,415</u>
Total Liabilities and Net Position	<u><u>\$ 138,028</u></u>

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2016

Business-type Activities - Enterprise Fund	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 16,669
Total Operating Revenues	<u>16,669</u>
OPERATING EXPENSES:	
Salaries	21,873
Depreciation Expense	12,677
Cost of Sales	<u>123,958</u>
Total Operating Expenses	<u>158,508</u>
OPERATING LOSS	<u>(141,839)</u>
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	1,700
Federal Source:	
National School Breakfast/Lunch/Snack Program	<u>119,202</u>
Total Nonoperating Revenues	<u>120,902</u>
CHANGE IN NET POSITION	(20,937)
TOTAL NET POSITION, JULY 1	<u>108,352</u>
TOTAL NET POSITION, JUNE 30	<u><u>\$ 87,415</u></u>

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Proprietary Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2016

Business-type Activities - Enterprise Fund	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 17,995
Cash Payments to Suppliers and Employees	(122,228)
Net Cash Used In Operating Activities	(104,233)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	120,902
Net Cash Provided By Noncapital Financing Activities	120,902
Net Increase In Cash And Cash Equivalents	16,669
Cash And Cash Equivalents, Beginning Of Year	33,809
Cash And Cash Equivalents, End Of Year	\$ 50,478
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss Used for Operating Activities	\$ (141,839)
Depreciation	12,677
Change In Assets And Liabilities:	
Increase In Receivables From Other Governments	1,326
Decrease In Interfund Payable	26,658
Increase In Accounts Payable	(3,055)
Net Cash Used In Operating Activities	\$ (104,233)

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

FIDUCIARY FUNDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2016

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ 364,328
Interfund Accounts Receivable	15,967
	380,295
Total Assets	\$ 380,295
LIABILITIES:	
Interfund Accounts Payable	\$ 328,679
Accounts Payable	26,723
Due to Student Groups	24,893
	380,295
Total Liabilities	\$ 380,295

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

NOTES TO THE FINANCIAL STATEMENTS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University Academy Charter High School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

For fiscal year 2015, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure.

A. Reporting Entity

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board of Trustees consists of representatives of the public and private community sectors, professional representatives and representatives of parents of students, and is responsible for the fiscal control of the Charter School. The Head Teacher is appointed by the Board of Trustees and is responsible for the administrative control of the Charter School.

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

The Charter School's basic financial statements consist of Charter School-Wide Statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Charter School-Wide Statements: The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the 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 activity of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of net position presents the financial condition of the governmental of the Charter School at fiscal year end. The statement of activities presents a comparison 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Continued)

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

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.

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.

Proprietary Fund Types: These funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Charter School reports the following *proprietary* fund:

Enterprise (Food Services) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Charter School's Food Service operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

C. Basis of Accounting – Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School-Wide Financial Statements: The Charter School-Wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental 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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement of Focus (Continued)

in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets/Budgetary Control

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

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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:

	2016	2015
Total Revenues & Expenditures (Budgetary Basis)	\$ 336,690	\$ 337,185
Adjustments:		
Less Encumbrances at June 30, 2016	-	-
Plus Encumbrances at June 30, 2015	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 336,690	\$ 337,185

E. Encumbrances Accounting

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

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School-Wide Statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases are recorded as expenditures during the year of purchase.

Allowance for Uncollectible Accounts:

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

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Asset Class	Estimated Useful Lives
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & Computer Equipment	5-10

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

Compensated Absences:

The Charter School employees do not accumulate sick leave, therefore, no liability is reflected in the basic financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues — Exchange and Non-exchange Transactions:

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Management Estimates:

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

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

G. 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.

H. 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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Adopted Accounting Pronouncements (Continued)

In addition, 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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued)

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 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.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

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

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

- The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.

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

	General Fund	Proprietary Fund	Payroll Agency	Net Payroll	Student Activity	Total
Operating Account	\$ 3,322,492	\$ 50,478	\$ 10,756	\$ 328,679	\$ 24,893	\$ 3,737,298

The carrying amount of the Board's cash and cash equivalents at June 30, 2016 was \$3,737,298 and the bank balance was \$3,936,445. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

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

As of June 30, 2016, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2016, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 3: RECEIVABLES

Receivables at June 30, 2016, consisted of accounts (tuition), 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	\$ 228,662	\$ 228,742
Federal Aid	-	5,995
Other	-	-
Gross Receivables	<u>228,662</u>	<u>234,737</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$ 228,662</u></u>	<u><u>\$ 234,737</u></u>

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

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 450,969	\$ -
Special Revenue Fund		93,616
Proprietary Fund		44,641
Fiduciary Fund	<u>15,967</u>	<u>328,679</u>
Total	<u><u>\$ 466,936</u></u>	<u><u>\$ 466,936</u></u>

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Additions (Adjustments)	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Building Improvements	\$ 497,778	\$ -	\$ -	\$ 497,778
Equipment	146,765	-	-	146,765
Totals at Historical Cost	<u>644,543</u>	<u>-</u>	<u>-</u>	<u>644,543</u>
Less Accumulated Depreciation For:				
Building Improvements	(185,839)	(16,592)	-	(202,431)
Equipment	(64,498)	(24,728)	-	(89,226)
Total Accumulated Depreciation	<u>(250,337)</u>	<u>(41,320)</u>	<u>-</u>	<u>(291,657)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	394,206	(41,320)	-	352,886
Government Activity Capital Assets, Net	<u>\$ 394,206</u>	<u>\$ (41,320)</u>	<u>\$ -</u>	<u>\$ 352,886</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	28,984	-	-	28,984
Less Accumulated Depreciation	(17,391)	(5,797)	-	(23,188)
Enterprise Fund Capital Assets, Net	<u>\$ 11,593</u>	<u>\$ (5,797)</u>	<u>\$ -</u>	<u>\$ 5,796</u>

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

Depreciation expense was charged to functions as follows:

Instructional	\$ -
Unallocated	<u>41,320</u>
Total	<u>\$ 41,320</u>

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 6: RENTAL LEASE

The School leases a portion of a building located at 275 West Side Avenue, Jersey City, New Jersey, from New Jersey City University (the University), under the terms of a lease dated May 6, 2003. The total size of the building at 275 West Side Avenue is 57,415 square feet. The School rents 29,651 square feet or 51.6% of the building along its Southern side, for use as the School Premises. The remaining 27,764 square feet of the building is used exclusively by the University and is not rented to the School. Under the terms of the lease, the University provides the School with classroom, office, and multi purpose space (cafeteria, gymnasium, etc) in the rented School Premises area and the University also provides the School with maintenance and security services. The University also pays the cost of utilities including heat, air conditioning, water and land based (non cellular) telephone service. The terms of the lease provide for an annual charge for these services (the Additional Rent) calculated as explained below. The lease also calls for payment of a fixed annual charge (the Base Rent). A portion of the School Premises is also used by the University to conduct evening classes offered by the University. The lease specifies that the School's "Pro Rata Percentage" shall be the percentage of School use of the Premises divided by the total use, by School plus University, for the rented space. The School's "Pro Rata Percentage", since lease inception has been calculated at 86.11 %. This percentage is will remain the same throughout the lease term unless renegotiated to the satisfaction of both the School and the University.

The terms of the lease allow for lease cancellation at the earliest of the following dates: (1) June 30, 2033 or (2) in the event the NJ Department of Education revokes the School's Charter before June 30, 2033, the effective date of revocation shall be the termination date of the lease.

The total rent to be paid by the School to the University each year is the sum of the Base Rent plus the Additional Rent times the Pro Rata Percentage. This can be represented as follows:

$$(\text{Base Rent} + \text{Additional Rent}) \times (\text{Pro Rata Percentage}) = \text{Total Rent Payment for Year.}$$

Base Rent, before application of the Pro Rata Percentage, is set forth in the lease as follows:

Fiscal Year For	Amount
June 30, 2015 - June 30, 2033	635,347 (*)
(*) Average - Actual amounts vary from \$632,500 to \$637,750	

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 6: RENTAL LEASE (CONTINUED)

Generally accepted accounting principles, as set forth in GASB Statement No. 13 ("Accounting for Leases") and FASB Technical Bulletin No 85-3 ("Accounting for Operating Leases with Scheduled Rent Increases") require that:

"If rental payments are not made on a straight-line basis, rental expense nevertheless shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time period in which benefit is derived from the leased property, in which case that basis shall be used."

The School assumes, for financial statement purposes, that the Charter will be renewable for all years during the lease term. Thus the School shall calculate the amount of deferred rent and set forth same in its financial statements each year until such time as either: (1) The State Department of Education advises that the School Charter will not be renewed, (2) The State Department of Education or the Governmental Accounting Standards board advises at a future date that "another systematic and rational basis is more representative of the time period in which benefit is derived from the leased property ".

Deferred rent at June 30, 2016 was \$513,522.

NOTE 7: 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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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:

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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

Contributions

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

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level 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 \$ 52,484 for fiscal year 2016.

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 \$ 1,341,582 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 which was rolled forward to June 30, 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 0.00597640%, which was a decrease of 0.00078138% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2015, the Charter School recognized pension expense of \$ 57,495 . At June 30, 2015, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: 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	\$ 144,075	\$ -
Difference Between Expected and Actual Experience	32,005	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	21,570
	\$ 176,080	\$ 21,570

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

Fiscal Year Ending June 30,	Total
2016	\$ 28,129
2017	28,129
2018	28,129
2019	44,798
2020	25,325
	\$ 154,510

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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.

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female 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.

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, 2015 are summarized in the following table:

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

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%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions Made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: 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 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	\$ 1,667,422	\$ 1,341,582	\$ 1,068,400

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	\$ 1,223,627	\$ 972,650	\$ 761,893

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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

Benefit Provided

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

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

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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2015 and 2014, the State's pension contribution was less than the actuarially determined amount.

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 non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2016, the State of New Jersey contributed \$22,246 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$146,111.

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

As of June 30, 2016, the State's proportionate share of the net pension liability associated with the Charter School was \$17,183,477. 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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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

members, actuarially determined. At June 30, 2015, Charter School's proportion was 0.0271872%, which was an increase of 0.0037089% from its proportion measured as of June 30, 2014.

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	<u>17,183,477</u>
Total	<u><u>\$ 17,183,477</u></u>

For the fiscal year ended June 30, 2015, the State recognized pension expense on behalf of the Charter School in the amount of \$146,111 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
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
	<u>\$ 7,639,311,575</u>	<u>\$ 672,332,323</u>

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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

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

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

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: 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' 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%

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 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	\$ 20,542,633	\$ 17,279,610	\$ 14,478,443

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	\$ 15,195,833	\$ 12,634,374	\$ 10,503,910

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position – TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 8: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.5 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

NOTE 9: 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.

Property and Liability Insurance

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2016

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$2,286,338 General Fund balance in the fund financial statements at June 30, 2016, \$0 is reserved for encumbrances; \$75,000 is reserved for the escrow account and \$2,211,338 is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

UNIVERSITY ACADEMY CHARTER HIGH 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 Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 1,490,000	\$ -	\$ 1,490,000	\$ 1,484,744	\$ (5,256)
Total Local Levy Budget	1,490,000	-	1,490,000	1,484,744	(5,256)
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	3,995,000	-	3,995,000	4,001,508	6,508
Special Education Aid	305,000	-	305,000	309,453	4,453
District Security Aid	170,000	-	170,000	182,228	12,228
Total Categorical Aid	4,470,000	-	4,470,000	4,493,189	23,189
Revenues From Other Sources:					
Interest Income	3,500	-	3,500	4,261	761
Donations and Contributions	4,500	-	4,500	4,094	(406)
Miscellaneous Revenue	219,500	-	219,500	7,171	(212,329)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	229,501	229,501
Reimbursed TPAF Pension Aid	-	-	-	432,780	432,780
Total Revenues From Other Sources	227,500	-	227,500	677,807	450,307
Total Revenues	6,187,500	-	6,187,500	6,655,740	468,240
EXPENDITURES:					
Instruction:					
Salaries of Teachers	2,460,000	(33,008)	2,426,992	2,425,264	1,728
Other Salaries for Instruction	225,500	-	225,500	222,760	2,740
Purchased Prof/Tech Services	95,000	-	95,000	77,057	17,943
Other Purchased Services	63,500	1,376	64,876	64,876	-
General Supplies	42,500	13,801	56,301	56,301	-
Textbooks	39,725	-	39,725	38,235	1,490
Miscellaneous	43,500	17,831	61,331	61,331	-
Total Instruction	2,969,725	-	2,969,725	2,945,824	23,901
Administration:					
Salaries - General Administration	353,025	5,481	358,506	358,506	-
Salaries of Secretarial/Clerical Assistants	131,250	-	131,250	128,775	2,475
Total Benefits Cost	915,000	(40,624)	874,376	644,875	229,501
Purchases Prof/Tech Services	107,000	28,724	135,724	135,724	-
Communications/Telephone	18,500	(10,475)	8,025	7,670	355
Supplies and Materials	12,500	-	12,500	5,286	7,214
Miscellaneous Expenses	17,500	16,964	34,464	34,464	-
Total Administration	1,554,775	70	1,554,845	1,315,300	239,545

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

UNIVERSITY ACADEMY CHARTER HIGH 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 Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 472,500	\$ 120,844	\$ 593,344	\$ 593,344	\$ -
Purchased Prof/Tech Services	57,500	22,944	80,444	80,444	-
Rental of Land and Buildings	855,000	2,897	857,897	857,897	-
Other Purchased Services	57,500	1,007	58,507	58,507	-
Transportation-Other Than To/From School	33,000	(6,160)	26,840	26,840	-
Insurance for Property, Liability and Fidelity	95,000	2,773	97,773	97,773	-
Supplies and Materials	17,500	(1,559)	15,941	15,941	-
Miscellaneous Expenses	15,000	(6,562)	8,438	8,438	-
Total Support Services	1,603,000	136,184	1,739,184	1,739,184	-
Capital Outlay:					
Instructional Equipment	22,500	(1,517)	20,983	19,498	1,485
Non-Instructional Equipment	12,500	4,489	16,989	16,989	-
Miscellaneous Expenses	25,000	198	25,198	25,198	-
Total Capital Outlay	60,000	3,170	63,170	61,685	1,485
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	229,501	(229,501)
On Behalf Reimbursed TPAF Pension Aid	-	-	-	432,780	(432,780)
Total Expenditures	6,187,500	139,424	6,326,924	6,724,274	(397,350)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(139,424)	(139,424)	(68,534)	70,890
FUND BALANCE, JULY 1	2,354,872	-	2,354,872	2,354,872	-
FUND BALANCE, JUNE 30	\$ 2,354,872	\$ (139,424)	\$ 2,215,448	\$ 2,286,338	\$ 70,890
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 2,354,872	\$ (139,424)	\$ 2,215,448	\$ 2,286,338	\$ 70,890
Total	\$ 2,354,872	\$ (139,424)	\$ 2,215,448	\$ 2,286,338	\$ 70,890

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

UNIVERSITY ACADEMY CHARTER HIGH 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	\$ 336,690	\$ -	\$ 336,690	\$ 336,690	\$ -
Total Revenues	336,690	-	336,690	336,690	-
EXPENDITURES:					
Instruction:					
Salaries	261,480	-	261,480	261,480	-
Salaries of Teachers	-	-	-	-	-
Other Salaries for Instruction	-	-	-	-	-
Purchased Prof/Tech Services	-	-	-	-	-
Other Purchased Services	11,938	-	11,938	11,938	-
General Supplies	29,000	-	29,000	29,000	-
Textbooks	-	-	-	-	-
Other Objects	-	-	-	-	-
Total Instruction	302,418	-	302,418	302,418	-
Support Services:					
Personal Services - Employee Benefits	34,272	-	34,272	34,272	-
Total Support Services	34,272	-	34,272	34,272	-
Total Expenditures	336,690	-	336,690	336,690	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2015

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/Inflows of Resources			
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 6,711,871	[C-2]	\$ 337,185
Difference - Budget to GAAP			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	<hr/>		<hr/> -
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>6,711,871</u>	[B-2]	\$ <u>337,185</u>
Uses/Outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 6,779,532	[C-2]	\$ 337,185
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.	<hr/>		<hr/> -
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>6,779,532</u>	[B-2]	\$ <u>337,185</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 3 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Charter School's proportion of the net pension liability	0.00494267%	0.005195021%	0.005976398%
Charter School's proportionate share of the net pension liability	\$ 944,642	\$ 944,642	\$ 1,341,582
Charter School's covered employees payroll	\$ 922,433	\$ 1,042,993	\$ 377,100
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	102%	91%	356%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 3 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	\$ 37,242	\$ 42,827	\$ 52,484
Contributions in relation to the contractually required contribution	(37,242)	(42,827)	(52,484)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -
Charter School's covered employee payroll	\$ 922,433	\$ 1,042,993	\$ 377,100
Contributions as a percentage of covered employee payroll	4.04%	4.11%	13.92%

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

UNIVERSITY ACADEMY CHARTER HIGH 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 3 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable of the Charter School	0.0229637%	0.02347826%	0.02718721%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 11,605,693	\$ 12,548,369	\$ 17,183,477
Charter School's covered employees payroll	\$ 2,757,193	\$ 2,898,099	\$ 3,010,989
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	420.92%	432.99%	570.69%
Plan fiduciary net position as a p ercentage of the total pension liability	33.76%	33.64%	28.71%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

UNIVERSITY ACADEMY CHARTER HIGH 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.

UNIVERSITY ACADEMY CHARTER HIGH 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 SUPPLEMENTARY INFORMATION

SECTION E – SPECIAL REVENUE FUND DETAIL STATEMENTS

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	NCLB Title I	I.D.E.A. Part B	NCLB Title II	Grand Total
REVENUE SOURCES:				
Federal	\$ 232,973	\$ 101,779	\$ 1,938	\$ 336,690
Total Revenues	232,973	101,779	1,938	336,690
EXPENDITURES:				
Instruction:				
Salaries	191,741	69,739		261,480
Other Purchased Services		10,000	1,938	11,938
General Supplies	29,000			29,000
Total Instruction	220,741	79,739	1,938	302,418
Support Services:				
Personal Services - Employee Benefits	12,232	22,040		34,272
Total Support Services	12,232	22,040	-	34,272
Total Expenditures	232,973	101,779	1,938	336,690
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUND
DETAIL STATEMENTS**

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

Food Services Fund – This fund provides for the operation of food services in all schools within the Charter School.

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENTS**

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

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

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

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2016

	Payroll Agency	Net Payroll	Student Activities	Total Agency Fund
ASSETS:				
Cash and Cash Equivalents	\$ 10,756	\$ 328,679	\$ 24,893	\$ 364,328
Interfund Accounts Receivable	15,967			15,967
Total Assets	\$ 26,723	\$ 328,679	\$ 24,893	\$ 380,295
LIABILITIES:				
Interfund Accounts Payable	\$ -	\$ 328,679	\$ -	\$ 328,679
Accounts Payable	26,723	-	-	26,723
Due to Student Groups			24,893	24,893
Total Liabilities	\$ 26,723	\$ 328,679	\$ 24,893	\$ 380,295

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> July 1, 2015	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> June 30, 2016
UACHS Student Activity Club	\$ 32,781	\$ 19,488	\$ 27,888	\$ 24,381
UACHS Journalism Club	610	126	325	411
UACHS Student Track Club	53	468	420	101
Total	<u>\$ 33,444</u>	<u>\$ 20,082</u>	<u>\$ 28,633</u>	<u>\$ 24,893</u>

UNIVERSITY ACADEMY CHARTER HIGH 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	\$ 10,927	\$ 2	\$ 173	\$ 10,756
Interfund Accounts Receivable	15,796	173	2	15,967
Total Assets	\$ 26,723	\$ 175	\$ 175	\$ 26,723
LIABILITIES:				
Accounts Payable	\$ 26,723	\$ 175	\$ 175	\$ 26,723
Total Liabilities	\$ 26,723	\$ 175	\$ 175	\$ 26,723

STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity (Not Applicable)

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

Debt Capacity (Not Applicable)

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Net Assets/Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 352,886	\$ 395,131	\$ 345,123	\$ 345,123	\$ 361,716	\$ 377,429	\$ 395,564	\$ 413,699	\$ 432,716	\$ 451,733
Restricted	-	-	-	-	-	-	-	-	-	-
Designated for Deferred Rent Expense	75,000	75,000	-	-	-	-	-	-	640,118	667,914
Unrestricted	1,176,622	1,320,734	2,445,733	2,108,792	1,754,207	1,603,227	1,615,199	832,883	301,347	330,506
Total Governmental Activities Net Assets/Position	\$ 1,604,508	\$ 1,790,865	\$ 2,790,856	\$ 2,453,915	\$ 2,115,923	\$ 1,980,656	\$ 2,010,763	\$ 1,246,582	\$ 1,374,181	\$ 1,450,153
Business-Type Activities										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 115,127	\$ 115,127	\$ 119,505	\$ 119,505	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Designated for Deferred Rent Expense	-	-	-	-	-	-	-	-	-	-
Unrestricted	(27,712)	(6,775)	(4,378)	31,734	1,029	-	(741)	-	-	-
Total Business-Type Activities Net Assets/Position	\$ 87,415	\$ 108,352	\$ 115,127	\$ 151,239	\$ 201,029	\$ -	\$ (741)	\$ -	\$ -	\$ -
Charter School-wide										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 468,013	\$ 510,258	\$ 464,628	\$ 464,628	\$ 561,716	\$ 377,429	\$ 395,564	\$ 413,699	\$ 432,716	\$ 451,733
Restricted	-	-	-	-	-	-	-	-	-	-
Designated for Deferred Rent Expense	75,000	75,000	-	-	-	-	-	-	640,118	667,914
Unrestricted	1,148,910	1,313,959	2,441,355	2,140,526	1,755,236	1,603,227	1,614,458	832,883	301,347	330,506
Total Charter School-wide Net Assets/Position	\$ 1,691,923	\$ 1,899,217	\$ 2,905,983	\$ 2,605,154	\$ 2,316,952	\$ 1,980,656	\$ 2,010,022	\$ 1,246,582	\$ 1,374,181	\$ 1,450,153

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Changes in Net Assets/Position
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities:										
Instruction	\$ 3,248,242	\$ 4,363,774	\$ 3,916,849	\$ 3,773,299	\$ 3,669,209	\$ 3,418,700	\$ 3,155,142	\$ 3,088,583	\$ 2,857,721	\$ 2,565,579
Administration	2,054,084	889,442	884,556	810,027	912,091	1,038,737	704,588	670,355	680,663	759,288
Support Services	1,773,456	1,789,283	1,618,869	1,499,016	1,517,900	1,351,401	1,554,545	1,429,141	1,403,911	1,139,042
Capital Outlay	61,685	89,238	55,552	160,230	35,288	4,896	37,559	57,777	117,818	49,000
Unallocated Depreciation	41,320	16,592	16,592	16,593	15,713	18,135	18,135	19,017	19,017	18,687
Total Governmental Activities Expenses	<u>7,178,787</u>	<u>7,148,329</u>	<u>6,492,418</u>	<u>6,259,165</u>	<u>6,150,201</u>	<u>5,831,869</u>	<u>5,469,969</u>	<u>5,264,873</u>	<u>5,079,130</u>	<u>4,531,596</u>
Business-Type Activities:										
Food Service	158,508	131,389	164,902	178,865	34,834	33,543	45,715	39,431	-	-
Total Business-Type Activities Expenses	<u>158,508</u>	<u>131,389</u>	<u>164,902</u>	<u>178,865</u>	<u>34,834</u>	<u>33,543</u>	<u>45,715</u>	<u>39,431</u>	<u>-</u>	<u>-</u>
Total Charter School Expenses	<u>\$ 7,337,295</u>	<u>\$ 7,279,718</u>	<u>\$ 6,657,320</u>	<u>\$ 6,438,030</u>	<u>\$ 6,185,035</u>	<u>\$ 5,865,412</u>	<u>\$ 5,515,684</u>	<u>\$ 5,304,304</u>	<u>\$ 5,079,130</u>	<u>\$ 4,531,596</u>
Program Revenues										
Governmental Activities:										
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	309,453	304,504	310,003	275,974	220,709	223,865	207,984	167,952	138,842	135,570
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	<u>309,453</u>	<u>304,504</u>	<u>310,003</u>	<u>275,974</u>	<u>220,709</u>	<u>223,865</u>	<u>207,984</u>	<u>167,952</u>	<u>138,842</u>	<u>135,570</u>
Business-Type Activities:										
Charges for Services	16,669	19,488	24,744	38,727	1,174	-	447	-	-	-
Operating Grants and Contributions	120,902	105,126	104,046	90,348	34,689	15,866	22,032	20,367	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	<u>137,571</u>	<u>124,614</u>	<u>128,790</u>	<u>129,075</u>	<u>35,863</u>	<u>15,866</u>	<u>22,479</u>	<u>20,367</u>	<u>-</u>	<u>-</u>
Total Charter School Program Revenues	<u>\$ 447,024</u>	<u>\$ 429,118</u>	<u>\$ 438,793</u>	<u>\$ 405,049</u>	<u>\$ 256,572</u>	<u>\$ 239,731</u>	<u>\$ 230,463</u>	<u>\$ 188,319</u>	<u>\$ 138,842</u>	<u>\$ 135,570</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (6,869,334)	\$ (6,843,825)	\$ (6,182,415)	\$ (5,983,191)	\$ (5,929,492)	\$ (5,608,004)	\$ (5,261,985)	\$ (5,096,921)	\$ (4,940,288)	\$ (4,396,026)
Business-Type Activities	(20,937)	(6,775)	(36,112)	(49,790)	1,029	(17,677)	(23,236)	(19,064)	-	-
Total Charter School-wide Net Expense	<u>\$ (6,890,271)</u>	<u>\$ (6,850,600)</u>	<u>\$ (6,218,527)</u>	<u>\$ (6,032,981)</u>	<u>\$ (5,928,463)</u>	<u>\$ (5,625,681)</u>	<u>\$ (5,285,221)</u>	<u>\$ (5,115,985)</u>	<u>\$ (4,940,288)</u>	<u>\$ (4,396,026)</u>
General Revenues and Other Changes in Net Assets/Position										
Governmental Activities:										
General Purposes	\$ 1,484,744	\$ 1,453,600	\$ 1,468,750	\$ 1,404,021	\$ 1,328,699	\$ 1,136,229	\$ 1,139,960	\$ 1,015,694	\$ 1,405,973	\$ 1,075,653
Capital Projects	-	-	-	-	-	-	-	-	-	-
Federal and State Aid Not Restricted	5,182,707	5,066,696	5,018,191	4,906,065	4,922,515	4,432,845	4,870,364	4,554,387	3,402,278	3,155,263
Investment Earnings	4,261	3,547	3,165	3,403	4,056	5,677	5,174	9,240	35,456	54,107
Tuition Revenue	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	11,265	220,709	29,250	7,694	9,489	3,146	10,668	5,874	20,609	5,167
Transfers	-	-	-	-	(200,000)	-	-	-	-	-
Total Governmental Activities	<u>6,682,977</u>	<u>6,744,552</u>	<u>6,519,356</u>	<u>6,321,183</u>	<u>6,064,759</u>	<u>5,577,897</u>	<u>6,026,166</u>	<u>5,585,195</u>	<u>4,864,316</u>	<u>4,290,190</u>
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	200,000	18,418	22,495	19,064	-	-
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>18,418</u>	<u>22,495</u>	<u>19,064</u>	<u>-</u>	<u>-</u>
Total Charter School-wide	<u>\$ 6,682,977</u>	<u>\$ 6,744,552</u>	<u>\$ 6,519,356</u>	<u>\$ 6,321,183</u>	<u>\$ 6,264,759</u>	<u>\$ 5,596,315</u>	<u>\$ 6,048,661</u>	<u>\$ 5,604,259</u>	<u>\$ 4,864,316</u>	<u>\$ 4,290,190</u>
Change in Net Assets/Position										
Governmental Activities	\$ (186,357)	\$ (99,273)	\$ 336,941	\$ 337,992	\$ 135,267	\$ (30,107)	\$ 764,181	\$ 488,274	\$ (75,972)	\$ (105,836)
Business-Type Activities	(20,937)	(6,775)	(36,112)	(49,790)	201,029	741	(741)	-	-	-
Total Charter School	<u>\$ (207,294)</u>	<u>\$ (106,048)</u>	<u>\$ 300,829</u>	<u>\$ 288,202</u>	<u>\$ 336,296</u>	<u>\$ (29,366)</u>	<u>\$ 763,440</u>	<u>\$ 488,274</u>	<u>\$ (75,972)</u>	<u>\$ (105,836)</u>

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 8,642	\$ -	\$ 4,425	\$ -	\$ -	\$ -
Designated for Deferred Rent Expense	75,000	75,000	-	-	-	-	-	-	640,118	667,914
Unreserved	2,211,338	2,279,872	2,395,725	2,108,792	1,745,565	1,603,227	1,610,774	832,883	301,347	330,506
Total General Fund	<u>\$ 2,286,338</u>	<u>\$ 2,354,872</u>	<u>\$ 2,395,725</u>	<u>\$ 2,108,792</u>	<u>\$ 1,754,207</u>	<u>\$ 1,603,227</u>	<u>\$ 1,615,199</u>	<u>\$ 832,883</u>	<u>\$ 941,465</u>	<u>\$ 998,420</u>

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local Sources:										
Local Tax Levy	\$ 1,484,744	\$ 1,453,600	\$ 1,468,750	\$ 1,404,021	\$ 1,328,699	\$ 1,136,229	\$ 1,139,960	\$ 1,015,694	\$ 1,405,973	\$ 1,075,653
Interest In Investments	4,261	3,547	3,165	3,403	4,056	5,677	5,174	9,240	35,456	54,107
Miscellaneous	11,265	220,709	29,250	7,694	9,489	3,146	10,668	5,874	20,609	5,167
State Sources	5,155,470	5,034,015	4,992,065	4,926,919	4,811,413	4,219,049	4,598,366	4,408,513	3,200,770	3,142,317
Federal Sources	336,690	337,185	336,129	255,120	331,811	438,561	479,982	313,826	340,350	148,516
Total Revenues	<u>6,992,430</u>	<u>7,049,056</u>	<u>6,829,359</u>	<u>6,597,157</u>	<u>6,485,468</u>	<u>5,802,662</u>	<u>6,234,150</u>	<u>5,753,147</u>	<u>5,003,158</u>	<u>4,425,760</u>
Expenditures:										
Instruction	3,248,242	3,214,611	3,030,450	2,996,498	2,865,146	2,757,951	2,555,634	2,504,085	2,338,539	2,041,895
Administration	1,977,581	2,180,402	1,881,792	1,699,920	1,854,472	1,805,849	1,439,651	1,383,389	1,326,635	1,333,428
Support Services	1,773,456	1,565,263	1,491,383	1,385,924	1,579,582	1,245,938	1,418,990	1,300,605	1,277,121	1,236,824
Capital Outlay	61,685	129,633	138,801	160,230	35,288	4,896	37,559	57,777	117,818	49,000
Total Expenditures	<u>7,060,964</u>	<u>7,089,909</u>	<u>6,542,426</u>	<u>6,242,572</u>	<u>6,334,488</u>	<u>5,814,634</u>	<u>5,451,834</u>	<u>5,245,856</u>	<u>5,060,113</u>	<u>4,661,147</u>
Net Change in Fund Balance	<u>\$ (68,534)</u>	<u>\$ (40,853)</u>	<u>\$ 286,933</u>	<u>\$ 354,585</u>	<u>\$ 150,980</u>	<u>\$ (11,972)</u>	<u>\$ 782,316</u>	<u>\$ 507,291</u>	<u>\$ (56,955)</u>	<u>\$ (235,387)</u>

Source: Charter School records

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Donations	Miscellaneous Revenue	Annual Total
2016	\$ 4,094	\$ 7,171	\$ 11,265
2015	2,827	-	2,827
2014	-	29,250	29,250
2013	-	7,694	7,694
2012	-	9,489	9,489
2011	-	3,146	3,146
2010	-	10,668	10,668
2009	-	5,874	5,874
2008	-	20,609	20,609
2007	-	-	-

Source: Charter School records

DEMOGRAPHIC AND ECONOMIC INFORMATION

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2016	N/A	N/A	N/A	N/A
2015	248,928	N/A	N/A	9.7%
2014	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A
2012	247,597	N/A	\$30,490	11.6%
2011	241,800	\$37,862	N/A	11.5%
2010	241,700	\$50,843	N/A	9.30%
2009	242,389	\$48,543	N/A	5.80%
2008	241,791	N/A	N/A	4.60%
2007	N/A	\$45,223	N/A	5.20%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Principal Employers
Last Year and Ten Years Ago

Employer	2014			2001		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Pershing LLC/Mellon Bank	2,000		N/A	-		N/A
Morgan Stanley Smith Barney	1,200		N/A	-		N/A
Fidelity Investments	1,000		N/A	-		N/A
ICAP Services North America, LLC	1,061		N/A	-		N/A
Deutsche Bank Trust Co	1,200		N/A	-		N/A
Chase Bank	1,592		N/A	-		N/A
Citigroup	1,500		N/A	-		N/A
Christ Hospital	1,200		N/A	-		N/A
US Postal Service	2,200		N/A	-		N/A
	<u>12,953</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

OPERATING INFORMATION

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 Last Ten Fiscal Years

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction	39	43	42	41	41	39	39	39	37	35
Administrative	6	6	6	6	6	5	5	4	4	5
Support Services	13	13	13	12	11	10	8	11	11	10
Clerical	-	6	6	6	6	5	5	-	-	-
Total	58	68	67	65	64	59	57	54	52	50

Source: Charter School Personnel Records

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	Senior High School				
2016	442	\$ 6,999,279	\$ 15,835	-5.58%	39	N/A	N/A	11:1	426	410	2.65%	96.24%
2015	415	6,960,276	16,772	8.17%	43	N/A	N/A	10:1	415	400	0.48%	96.39%
2014	413	6,403,625	15,505	5.54%	42	N/A	N/A	11:1	413	398	0.24%	96.37%
2013	414	6,082,342	14,692	-2.74%	41	N/A	N/A	11:1	412	390	-1.20%	94.66%
2012	417	6,299,200	15,106	8.94%	41	N/A	N/A	11:1	417	397	-0.48%	95.20%
2011	419	5,809,738	13,866	6.79%	39	N/A	N/A	11:1	419	395	0.48%	94.27%
2010	417	5,414,275	12,984	5.11%	39	N/A	N/A	11:1	417	386	-0.71%	92.57%
2009	420	5,188,079	12,353	1.22%	39	N/A	N/A	11:1	420	391	3.70%	93.10%
2008	405	4,942,295	12,203	3.98%	36	N/A	N/A	11:1	405	373	3.05%	92.10%
2007	393	4,612,147	11,736	124.92%	35	N/A	N/A	12:1	393	362	-7.09%	92.11%

Sources: Charter School records

Note: Enrollment based on annual October 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).

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 School Building Information
 Last Ten Fiscal Years

Charter School Buildings	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Professional Studies Building New Jersey City University 2039 Kennedy Blvd. Jersey City, NJ	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (Student)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Building 275 West Side Avenue Jersey City, NJ	29,651	29,651	29,651	29,651	29,651	29,651	29,651	29,651	25,200	14,800
Square Feet	425	425	425	425	425	425	425	425	350	250
Capacity (Student)	426	415	418	420	420	420	405	393	416	323
Enrollment										

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Insurance Schedule
June 30, 2016

	<u>Coverage</u>	<u>Deductible</u>
COMMERCIAL PACKAGE		
New Jersey School Board Association Insurance Group		
<i>Property</i>		
Blanket Personal Property Limit	\$500,000	\$1,000
Blanket Extra Expense	\$50,000,000	\$1,000
Blanket Valuable Papers & Record	\$10,000,000	\$1,000
Fire Department Service Charge	\$10,000	\$1,000
Pollutant Clean Up & Removal	\$250,000	\$1,000
Computer Coverage:		
- EDP	\$250,000	\$1,000
- Transit	\$25,000	\$1,000
- Loss of Income	\$10,000	\$1,000
Flood:		
- Zones A&V	\$10,000,000	\$1,000
- All Other Zones	\$50,000,000	\$1,000
Earthquake:		
- Fund Limit	\$50,000,000	\$1,000
Equipment Breakdown:		
- Limit	\$100,000,000	\$1,000
Public Employee Dishonesty with Faithful Performance	\$100,000	
Theft, Disappearance & Destruction - Loss of Money & Securities	\$10,000	
Forgery or Alteration	\$100,000	
Board Secretary/Business Administrator	\$100,000	
Board Treasurer	\$100,000	
Computer Fraud	\$100,000	
<i>General Liability</i>		
Per Occurrence	\$6,000,000	
Personal Injury & Advertising Injury	\$6,000,000	
Premises Medical Payments - Per Person	\$5,000	
Premises Medical Payments - Per Accident	\$10,000	
Employee Benefits Liability	\$6,000,000	
<i>Abuse/Molestation</i>		
Per Occurrence	\$6,000,000	
Annual Aggregate	\$6,000,000	
<i>Pollution Liability</i>		
- Per Occurrence	\$1,000,000	\$500
- Aggregate Per named Insured Sub-Limit	\$2,000,000	
- Policy Aggregate	\$11,000,000	
Deductible per Incident		\$25,000
<i>Business Automobile</i>		
Liability Limit includes Hired and Non-Owned Auto	\$6,000,000	

Source: Charter School's Records

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Insurance Schedule
June 30, 2016

	<u>Coverage</u>	<u>Deductible</u>
COMMERCIAL PACKAGE		
New Jersey School Board Association Insurance Group		
<i>School Leaders Professional Liability</i>		
Limit of Liability Coverage	\$6,000,000	
Aggregate	\$6,000,000	
Limit of Liability Coverage B - Each Claim	\$100,000	
Each Policy Period	\$300,000	
Deductible - Each Claim		\$5,000
<i>Workers' Compensation</i>		
Bodily Injury by Accident	\$2,000,000	
Bodily Injury by Disease - Each Employee	\$2,000,000	
Bodily Injury by Disease Aggregate Limit	\$2,000,000	

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2014 Audit	2015 Audit	2016 Audit	Source
Cash	\$ 3,535,962	\$ 3,435,853	\$ 3,372,970	Audit: Exhibit A-1
Current Assets (includes CASH)	495,296	550,120	4,058,676	Audit: Exhibit A-1
Total Assets	4,533,217	4,546,753	4,493,037	Audit: Exhibit A-1
Current Liabilities	1,627,234	1,616,901	1,766,398	Audit: Exhibit A-1
Total Liabilities	1,627,234	1,674,886	3,107,980	Audit: Exhibit A-1
Net Assets	2,905,983	1,899,217	1,691,923	Audit: Exhibit A-1
Total Revenue	6,958,149	7,173,670	7,130,001	Audit: Exhibit A-2
Total Expenses	6,657,320	7,279,718	7,337,295	Audit: Exhibit A-2
Change in Net Assets	300,829	(106,048)	(207,294)	Audit: Exhibit A-2
Depreciation Expense	33,241	41,320	41,320	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	417.00	412.00	426.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	420	415	415	Charter School Budget

Near Term Indicators	RATIOS ANALYSIS...			3 YR CUM	Source:	Target
	2013	2014	2015			
1a. Current Ratio	0.30	0.34	2.30		Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	193.87	172.27	167.79		Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	99%	99%	103%		Average Daily Enrollment/Budgeted Enrollment	>95%
1d.* Default	N/A	N/A	N/A		Audit	not in default
Sustainability Indicators						
2a. Total Margin	4%	-1%	-3%		Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	0.36	0.37	0.69		Total Liabilities/Total Assets	<.9
2c.** Cash Flow	535,779	(100,109)	(62,883)		Net change in cash flow from prior years	3 yr cum positive
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>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

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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
University Academy Charter High School
County of Hudson
Jersey City, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 University Academy Charter High School (Charter School), in the County of Hudson, 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 December 2, 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
December 2, 2016

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY
OMB CIRCULAR 15-08**

Honorable President and
Members of the Board of Trustees
University Academy Charter High School
County of Hudson
Jersey City, New Jersey

Report on Compliance for Each Major State Program

We have audited the University Academy Charter High School’s compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016. The University Academy Charter High School’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal*

Grants, State Grants and State Aid. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of University Academy Charter High 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

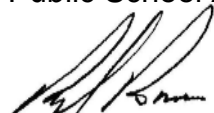
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the University Academy Charter High 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 December 2, 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 OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


BARRE & COMPANY
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
December 2, 2016

UNIVERSITY ACADEMY CHARTER HIGH 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	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2015	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2016 Deferred Revenue	Due to Grantor
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
No Child Left Behind:														
Title I Part A:														
84.010A	NCLB - 8060 - 16		232,973	9/1/15	8/31/16	\$ -	\$ -	169,780	(232,973)	\$ -	\$ -	(63,193)	\$ -	\$ -
84.367A	NCLB - 8060 - 16		1,938	9/1/15	8/31/16	-	-	169,780	(1,938)	-	-	(1,938)	-	-
Total No Child Left Behind														
Individuals with Disabilities Cluster:														
I.D.E.A. Part B Basic														
84.027	IDEA - 8060 - 16		101,779	9/1/15	8/31/16	(8,788)	-	73,294	(101,779)	-	-	(28,485)	-	-
84.027	IDEA - 8060 - 15		100,861	9/1/14	8/31/15	(8,788)	-	8,788	(101,779)	-	-	(28,485)	-	-
Total Individuals with Disabilities Cluster														
Total Special Revenue Fund														
U.S. Department of Agriculture														
Passed-through State Department of Agriculture														
Enterprise Fund:														
School Breakfast Program														
10.553	N/A		25,912	7/1/15	6/30/16	-	-	24,325	(25,912)	-	-	(1,587)	-	-
10.553	N/A		-	7/1/14	6/30/15	(1,852)	-	1,852	-	-	-	-	-	-
10.555	N/A		91,414	7/1/15	6/30/16	-	-	87,006	(91,414)	-	-	(4,408)	-	-
10.555	N/A		-	7/1/14	6/30/15	(5,447)	-	5,447	-	-	-	-	-	-
Total Enterprise Fund														
Total Federal Financial Awards														
							\$ -	\$ -	\$ 372,368	\$ (455,892)	\$ -	\$ (89,611)	\$ -	\$ -

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

UNIVERSITY ACADEMY CHARTER HIGH 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 Award Amount	Grant Period		Balance at June 30, 2015		Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Payor's of Prior Year's Balance	Balance at June 30, 2016		MEMO	
			From	To	Receivable (Accounts Receivable)	Due to Grantor					Payable (Accounts Receivable)	Due to Grantor		Budgetary Receivable
State Department of Education														
General Fund:														
State Aid - Public Cluster														
"Local Levy" State Share - Equalization Aid	16-495-034-5120-071	\$ 4,001,508	7/1/15	6/30/16	\$ -	\$ -	\$ 4,001,508	\$ (4,001,508)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,001,508
Special Education Categorical Aid	16-495-034-5120-089	309,453	7/1/15	6/30/16	-	-	309,453	(309,453)	-	-	-	-	-	309,453
Security Aid	16-495-034-5120-084	182,228	7/1/15	6/30/16	-	-	182,228	(182,228)	-	-	-	-	-	182,228
Total State Aid - Public Cluster		4,493,189					4,493,189	(4,493,189)						4,493,189
On-Behalf TPAF Pension Contributions	16-495-034-5094-006	432,780	7/1/15	6/30/16	-	-	432,780	(432,780)	-	-	-	-	-	432,780
Reimbursed TPAF - Social Security	16-495-034-5094-003	229,501	7/1/15	6/30/16	-	-	94,455	(229,501)	-	-	-	-	-	229,501
Reimbursed TPAF - Social Security	15-495-034-5095-002	216,166	7/1/14	6/30/15	(132,468)	-	132,468	-	-	-	(135,046)	-	135,046	-
Total General Fund					(132,468)	-	5,152,892	(5,155,470)			(135,046)	-	135,046	5,155,470
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State Share)	16-100-010-3350-023	1,700	7/1/15	6/30/16	(102)	-	1,620	(1,700)	-	-	(80)	-	80	1,700
National School Lunch Program (State Share)	15-100-010-3350-023	1,264	7/1/14	6/30/15	-	-	102	-	-	-	-	-	-	-
Total Enterprise Fund					(102)	-	1,722	(1,700)			(80)	-	80	1,700
Total All Funds					(132,570)	-	5,154,614	(5,157,170)			(135,126)	-	135,126	5,157,170
State Financial Assistance Not Subject to Major Program Determination:														
General Funds:														
On-Behalf TPAF Pension Contributions	16-495-034-5094-006	432,780	7/1/15	6/30/16	-	-	432,780	(432,780)	-	-	-	-	-	432,780
Total State Financial Assistance Subject to Single Audit					(132,570)	-	4,721,834	(4,724,380)			(135,126)	-	135,126	4,724,380

UNIVERSITY ACADEMY CHARTER HIGH 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, University Academy Charter High 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 preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on 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 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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes to the Schedules of Expenditures Of Awards and Financial Assistance
June 30, 2016

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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	\$ -	\$ 5,155,470	\$ 5,155,470
Special Revenue Fund	336,690	-	336,690
Food Service Fund	119,202	1,700	120,902
Total Awards & Financial Assistance	<u>\$ 455,892</u>	<u>\$ 5,157,170</u>	<u>\$ 5,613,062</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

University Academy Charter High School has no loan balances outstanding at 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.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes to the Schedules of Expenditures Of Awards and Financial Assistance
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.

UNIVERSITY ACADEMY CHARTER HIGH 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		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified?	_____ Yes	_____ None <u> X </u> Reported
Noncompliance material to basic financial statements noted?	_____ Yes	<u> X </u> No

State Awards

Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies that are not considered to be material weaknesses?	_____ Yes	_____ None <u> X </u> Reported
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08 OMB, as applicable?	_____ Yes	<u> X </u> 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>

UNIVERSITY ACADEMY CHARTER HIGH 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 – State Financial Assistance
Findings and Questioned Costs***

This section identifies audit findings required to be reported by NJ Circular Letter 15-08 OMB

No Current Year Findings

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Summary Schedule of Prior Year Audit Findings and Questioned Costs
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 OMB Circular 04-04 and/or 15-08, as applicable.

No Prior Year Findings