

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

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2017

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**And
Barre & Company LLC CPAs**

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*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

**Not Applicable to Charter Schools

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INTRODUCTORY SECTION



K-6 Campus
7-12 Campus

PATERSON CHARTER SCHOOL FOR SCIENCE & TECHNOLOGY

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December 4, 2017

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

Dear Board Members and Constituents:

The comprehensive annual financial report of the Paterson Charter School for Science and Technology (the "Charter School") for the fiscal year ended June 30, 2017, 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 Principle Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section – the Charter School is required to undergo an annual single audit in conformity with the provisions of the *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.

PCSST Executive Summary

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

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

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

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

Since its inception, PCSST has enjoyed broad-based support from parents, students and the Paterson community at-large. As a result, the school has had to wait-list students for all but the first few years of operation. Last year, there were only 120 spaces available for new students, yet 1,200 more students were interested in attending PCSST than could be accommodated.

PCSST is the only charter school in Paterson serving a secondary student population. As a result during the last four school years, PCSST has received over 1,300 applications for 100-120 available seats. In 2016-17 academic year PCSST went over its third renewal process and applied for expansion to add additional 516 students. As a result of the approval of renewal and expansion PCSST has accepted additional students for 2017-18 academic year.

1. REPORTING ENTITY AND ITS SERVICES: Paterson Charter School for Science and Technology is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds of the Charter School are included in this report. Paterson Charter School for Science and Technology Board of Trustees constitutes the Charter School’s reporting entity. Paterson Charter School for Science and Technology provides a full range of educational services appropriate to Grades K – 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2016-2017 school year with an enrollment of 1,068 students. The following details the changes in the student enrollment of the Charter School over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	1068.00	0.48%
2015-2016	1062.90	1.44%
2014-2015	1047.60	1.29%
2013-2014	1034.10	-0.86%
2012-2013	1043.00	0.51%

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

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

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

Research indicates students perform better when they have a healthy breakfast. The school day begins with a morning breakfast program to start the students’ day on a healthy note. In our K-6 Campus with the school wide breakfast in the classroom program 80.0% of students participated in the breakfast program and 91.0% of students participated in lunch program. In 7- 12 Campus on average 55% of students participate in the breakfast program and 78% of the students participates in the lunch program. Although free/reduced meal eligibility rate is 84%, all students have access to free meal through CEP (Community Eligibility Provision) program.

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

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

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

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

Education Program

Academic Performance

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

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

PCSST offers support to students at all grade levels. The Elementary campus has a Reading Specialist to assist primary grade students through a Reading Recover program. She offers PD to teachers at all grade levels to insure integration of the Common Core Language Arts standards across the curriculum. Both the elementary and high school utilize Title I funds to support a Basic Skills program that allows for both In-class and Pull-out instruction to support struggling and At-risk students in any grade level. High school students have an Intervention period built into the schedule to promote the philosophy the, "Failure in Not an Option." Any student failing a subject or assessment is required to work with their teacher to improve their grade.

A Saturday program, PASS+ focuses on developing math and language arts skills to prepare students for the assessment of the CCSS through the PARCC. Special Education students are taught in the least restrictive environment where PCSST offers predominantly In class support to insure that all students receive the same curriculum regardless of disabilities.

English Language Learners are also offered additional assistance. Based on their Access scores PCSST has been able to bring students up to proficiency in short periods of time allowing the students to participate in their academic classes with In-class support as well. Accelerated students are engaged at PCSST in the College Career Preparation program, CCP. These students work after school and on Saturdays to advance their knowledge and skills and participate in project based learning experiences.

Key design elements implemented at PCSST are apparent in the integration of technology, the focus on science, and the use of best practices in data collection and PLC usage. Every classroom is equipped with a SmartBoard to allow for interactive use of the technology during every lesson. Teachers are all provided with laptop computers to create and manage their lessons. Every process is enhanced with the use of technology if available, particularly in communication with parents, students and staff. Google Tools are used extensively by the staff to share documents and resources. All grades in 3-12 are now in a one-to-one device environment making the school virtually paperless and allowing electronic distribution and collection of assignments. Assessment is conducted in an electronic environment. In addition to the PARCC assessments, PCSST also uses another technology based benchmark assessment which is the STAR Assessments from Renaissance Learning. Exams will be conducted completely in an electronic environment in 2016-17.

Data collection and analysis is a central element of the school culture. Use of electronic assessments allows teachers to access data in a manner timely to affect instruction. Data from Accelerated Math, Accelerated Reader, STAR assessment and teacher created assessments are used to identify at-risk students and engage them in remedial programs. The College Coaching Program, CCP uses data from IXL.com (a subscription-based learning site) to advance enrichment for students. PLC groups, organized by grade level or department have access to assessment and other student data, such as attendance & discipline data, to personalize intervention plans as part of the PCSST Response to Intervention program, RTI.

The educational program focuses in the elementary grades on development and building of foundational skills in math, science, reading, writing, and all other content areas. PCSST elementary utilizes a balanced literacy approach in grades k-3. Read aloud, shared reading,

interactive reading, independent reading, writing workshop, and word study are combined with learning centers and guided reading and writing in all Language Arts classes across all grades in k-6. In math and science students experience hands-on learning through manipulatives, project-based, and inquiry based approaches that help them extend and apply their mathematical and science learning in various authentic ways. At the high school level students have a diverse set of course offerings to meet their needs and interests for college and career readiness. AP courses are offered in all departments, the Sciences, Mathematics, English, Social Studies, World Language, and the Arts. Graduation requirements exceed those set by the state with extra Science and Math courses required of PCSST students. A total of 142.5 credits is required for graduation. The school embeds character education in the curriculum and implements an Advisory program in grades 6-12 to build relationships between students and staff while promoting college and career readiness. The Army JROTC program builds student discipline, integrity and service. PCSST also offers a full extracurricular program including 9 interscholastic sports and a variety of clubs and competition teams.

PCSST offers ongoing support to students at all grade levels. The Elementary campus has a Reading Specialist to assist primary grade students through a Reading Intervention program. She also provides ongoing literacy PDs to teachers at all grade levels to ensure proper implementation of all components of the balanced literacy approach. Both the elementary and high school utilize Title I funds to support a Basic Skills program that allows for both in class and pull-out instruction to support struggling and at-risk students in any grade level. High school students have an Intervention period built into the schedule to promote the philosophy that, "Failure is Not an Option." Any student failing a subject or assessment is required to work with their teacher to improve their grade. At the elementary level, there is an extended day period for Re-teaching and tutoring of failing and other At-Risk students. A Saturday program, PASS+ focuses same curriculum regardless of disabilities. Resource Room instruction is also provided per the IEP needs of students. English Language Learners are provided pull-out and/or push-in ESL instruction every day and offered additional assistance in all academic areas through use of ELL teaching strategies. Based on their Access for ELLs Assessment scores PCSST has been able to bring students up to English proficiency level in short periods of time allowing the students to participate in their academic classes with in class support as well. Accelerated students are engaged at PCSST in the College Career Preparation program, CCP. These students work after school and on Saturdays to advance their knowledge and skills and participate in complex project based learning experiences.

Technology is crucial to the educational experience at PCSST. Our district houses 2 computer labs at the elementary building and 3 computer labs at the high school. In addition, the high school has a one-to-one iPad program in grades 9-12. All students are given an iPad with their e-textbooks preloaded along with a variety of required apps. Teachers use Google Classroom to push content, create discussion groups, assess student progress, and collect assignments in a paperless environment. To create a one-to-one technology environment for students in upper elementary and middle grades as well, Chromebooks have been purchased for all students in grades 3-8 which they utilize effectively on daily basis for learning and assessment. In grades K-2 students have access to iPads on carts and teachers share this resource to engage students in providing internet access for research, reading, independent and guided practice, writing, and assessment.

Moreover, online educational subscriptions are integrated throughout the curriculum across all grades and subjects. Some of these programs include but are not limited to Pearson Realize Math, NEWSELA, NGSS-STEMscopes, Learning A-Z, Benchmark Education, Brainpop, Reading Eggs-Edmentum. All students have access to online digital textbooks and reading books from different genres which can also be accessed from home.

PCSST curriculums have been aligned to the New Jersey Student Learning Standards (NJSLS). Using the new Curricular Frameworks for Math and Language Arts, teachers and administrators have been working collaboratively during PLCs on updating curriculums to include the NJ revised standards for Math and Language Arts that will begin implementing in September 2017. The PCSST Science curriculum has also been revised to fully correlate with Next Generation Science Standards in all grades k-12. Additionally, curricular revisions were made in all content areas during PLCs to address standards that have been modified or adopted or to place more emphasis on skills that students need the most. Cross grade (k-12) vertical articulation meetings have taken place to discuss vertical alignment of knowledge and skills that need more focus across all grades.

PCSST uses a variety of assessment data to identify gaps in attainment of the standards. PARCC assessment data will show how well our students are meeting the knowledge and skills expected of them at their grade level and it will also provide information to teachers regarding where students need help and where they are excelling so that teachers can differentiate instruction to meet their needs. STAR assessments from Renaissance Learning and teacher created assessments have also been used as routine benchmark tests to track the progress of students toward achievement of the standards. This data is used to adjust the curriculum and instructional program to address gaps. The secondary school has shifted to a Standards Based Grading system which clearly identifies the standards assessed in each grade level and tracks the implementation of standards in all content areas. The elementary school will also be transitioning to standards based grading during the 2017-2018 school year.

We have seen some increases and decreases in our ELA and Math scores from the 2015-16 to the 2016-17 school year for multiple reasons. Our 4th-6th grade ELA students have demonstrated growth in PARCC testing. We have implemented school wide reading program which is called Shooting for the Stars. It created friendly competition amongst the students and helped them to improve their reading comprehension. Teachers have effectively used available. Our 3rd and 4th grade Math students have demonstrated growth in PARCC testing. Our 5th grade math students have not demonstrated the expected growth in PARCC testing and there is a significant drop in results comparing to last year. Our 6th grade math students have not demonstrated the expected growth in PARCC testing, however there is not a significant drop in results comparing to last year.

Our 7th and 8th grade ELA students have demonstrated growth and maintained a passing rate of 50% of higher. This can be attributed to the double period of instructional time that students in the middle school receive. In addition, we have implemented an intervention program that allows for students to receive supplemental instruction during the course of the school day. We believe that these changes also impacted the growth in 8th grade math.

PCSST continued its Ivy League College acceptance tradition with another Cornell Acceptance by the class of 2017. PCSST seniors over last five years received three Cornell and one Princeton Acceptance.

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

exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be appropriated are reported as reservations of fund balance at June 30, 2017.

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

7. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company LLC, CPA's, was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's 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 is included in the financial section of the report. The auditor's reports, related specifically to the single audit, are included in the single audit section of this report.

8. **ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members. Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation and bullying prevention in each professional development period. PCSST has hired a district level HIB coordinator on September 1, 2011. Building level HIB specialists are also assigned per building received adequate training. In 2016-2017, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

Respectfully submitted,



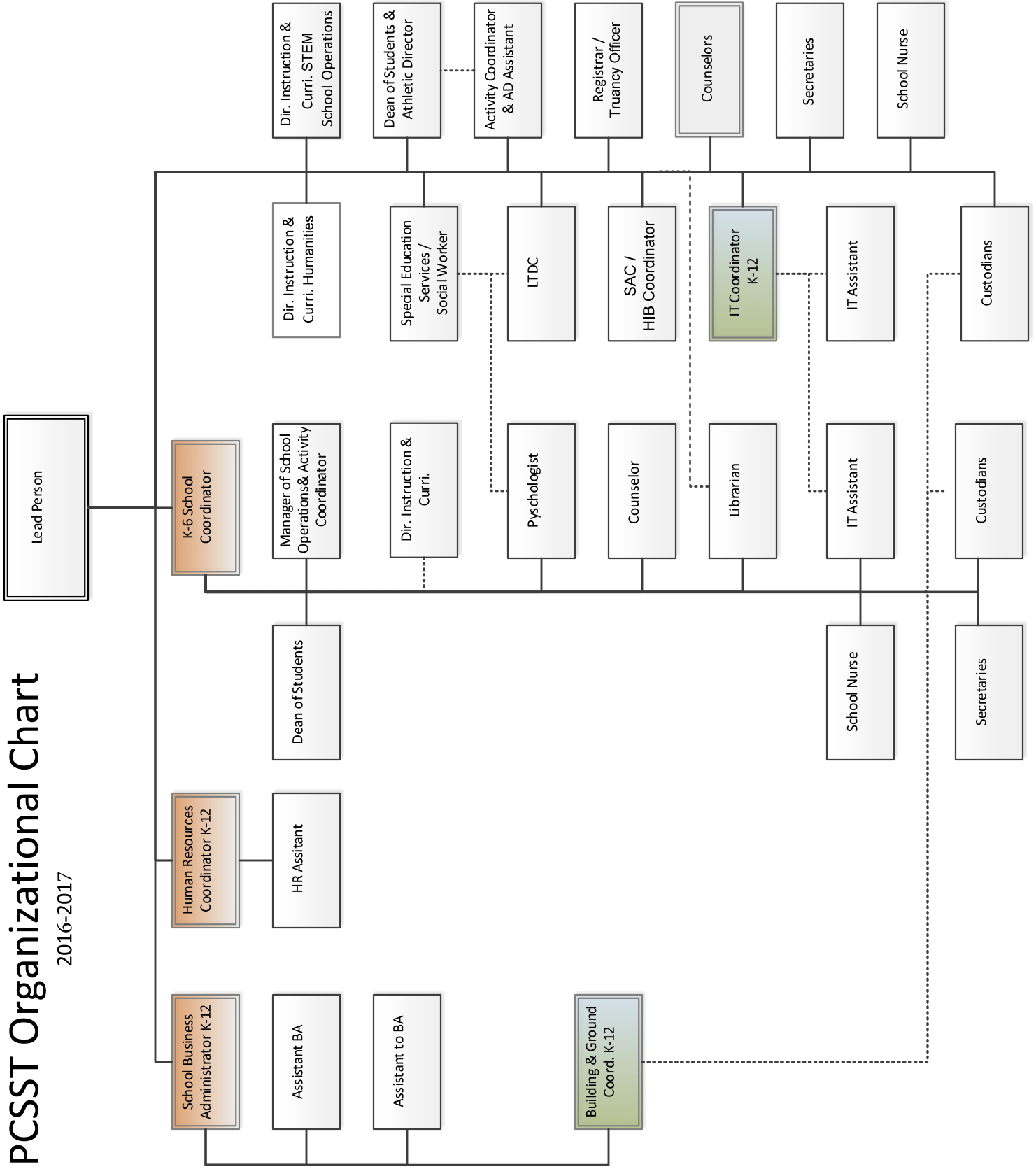
A. Riza Gurcanli
Lead Person



Matt A. Anar
Business Administrator/Board Secretary

PCSST Organizational Chart

2016-2017



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

**ROSTER OF OFFICIALS
JUNE 30, 2017**

Members of the Board of Trustees

Position

Kemal Aydin

President

Carol Burt-Miller

Vice President

Ayhan Koroglu

Member

Suzette McDuffie

Member

Erkan Yildiz

Member

Other Officials

A. Riza Gurcanli

Lead Person

Matt A. Anar

Business Administrator/
Board Secretary

Joseph Miceli

Director of Instruction

Mursel Gunes

Elementary School Coordinator

Christopher M. Lessard

Treasurer

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

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company LLC
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, NJ 07083

Attorney

Riker, Danzig, Scherer, Hyland and Perretti, LLP
Attorneys at Law
Headquarters Plaza, One Speedwell Avenue
Morristown, NJ 07962-1981

Official Depository

Valley National Bank
Government Banking Group
1460 Valley Road
Wayne, NJ 07470

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 206
Union, New Jersey 07083
908-686-3484
FAX – 908-686-6055
www.cpa-bc.com ♦ info@cpa-bc.com

Independent Auditor’s Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, as of June 30, 2017, 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 19, 82, and 89, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The combining and individual nonmajor 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 nonmajor 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 4, 2017 on our consideration of the Paterson Charter School for Science and Technology's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountant


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

Union, New Jersey
December 4, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The discussion and analysis of Paterson Charter School for Science and Technology's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows:

- ❖ General revenues accounted for \$17,076,721 in revenues or 94% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,084,952 or 6% percent of total revenues of \$18,161,673.
- ❖ The Charter School had \$18,322,533 in expenses; only \$1,084,952 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$17,076,721 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$16,489,360 in revenues and \$16,187,198 in expenditures. The General Fund's fund balance increased \$302,162 over 2016. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

Government-Wide Financial Statements

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2017?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

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.

Proprietary Funds

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

The Charter School as Trustee

Reporting the Charter School's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found starting on page 44 of this report.

Other Information

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

The Charter School as a Whole

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

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

The Charter School's combined net position were (\$2,065,982) for 2017 and (\$1,905,122) for 2016.

Governmental Activities

The Charter School's total revenues were \$17,401,342 for the year ended June 30, 2017 and \$17,039,311 for 2016. Federal, state, and local grants and state aid accounted for 91% for 2017 and 100% for 2016 of revenues which includes \$1,781,272 for 2017 and \$1,541,787 for 2016 of state reimbursed TPAF social security contributions and on-behalf TPAF pension, post-retirement medical, and long-term disability insurance contributions.

The total cost of all program and services was \$17,207,517 for 2017 and \$17,127,464 for 2016. Instruction comprises 55% for 2017 and 58% for 2016 of Charter School expenses.

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

Business-Type Activities

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

- ❖ Food service expenses exceeded revenues by \$29,635 for 2017 and \$48,047 for 2016.
- ❖ Charges for services represent \$48,176 for 2017 and \$95,710 for 2016. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced breakfast and lunches were \$711,726 for 2017 and \$685,445 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 \$17,401,342 for 2017 and \$17,039,311 for 2016 and expenditures were \$17,099,180 for 2017 and \$17,539,841 for 2016. The net change in fund balance was most significant in the general fund, an increase of \$302,162 in 2017 and a decrease of \$500,530 in 2016.

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, 2017.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Local Sources	\$ 1,558,038	8.95%	\$ (136,362)	-8.05%
State Sources	14,923,616	85.76%	497,988	3.45%
Federal Sources	919,688	5.29%	405	0.04%
Total	\$ 17,401,342	100.00%	\$ 362,031	

State and Federal Sources increased due to additional aid and grants funding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2017.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Instruction	\$ 6,244,705	36.52%	\$ (706,400)	-10.16%
Administration	4,945,135	28.92%	382,677	8.39%
Support Services	5,180,723	30.30%	(82,787)	-1.57%
Capital Outlay	728,617	4.26%	(34,151)	-4.48%
Total	\$ 17,099,180	100.00%	\$ (440,661)	

Changes in expenditures were the result of varying factors.

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 \$2,322,299 at June 30, 2017 and \$3,097,709 at June 30, 2016 invested in building improvements, furniture, machinery and equipment for governmental activities. The table shows the balances of capital assets (net of depreciation) for fiscal years 2017 and 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>2017</u>	<u>2016</u>
Governmental Activities:						
<i>Capital Assets Being Depreciated:</i>						
Building Improvements	\$ 270,953	\$ -	\$ -	\$ 270,953	\$ 270,953	\$ 270,953
Furniture, Machinery and Equipment	4,007,434	-	-	4,007,434	4,007,434	4,007,434
Totals Capital Assets Being Depreciated	<u>4,278,387</u>	<u>-</u>	<u>-</u>	<u>4,278,387</u>	<u>4,278,387</u>	<u>4,278,387</u>
Less Accumulated Depreciation:						
Building Improvements	20,322	13,547	-	33,869	33,869	20,322
Furniture, Machinery and Equipment	1,160,356	761,863	-	1,922,219	1,922,219	1,160,356
Total Accumulated Depreciation	<u>1,180,678</u>	<u>775,410</u>	<u>-</u>	<u>1,956,088</u>	<u>1,956,088</u>	<u>1,180,678</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>3,097,709</u>	<u>(775,410)</u>	<u>-</u>	<u>2,322,299</u>	<u>2,322,299</u>	<u>3,097,709</u>
Government Activity Capital Assets, Net	<u>\$ 3,097,709</u>	<u>\$ (775,410)</u>	<u>\$ -</u>	<u>\$ 2,322,299</u>	<u>\$ 2,322,299</u>	<u>\$ 3,097,709</u>
Business-Type Activities:						
<i>Capital Assets Being Depreciated:</i>						
Machinery and Equipment	\$ 157,588	\$ 2,036	\$ -	\$ 159,624	\$ 159,624	\$ 157,588
Less Accumulated Depreciation	81,222	15,135	-	96,357	96,357	81,222
Enterprise Fund Capital Assets, Net	<u>\$ 238,810</u>	<u>\$ 17,171</u>	<u>\$ -</u>	<u>\$ 255,981</u>	<u>\$ 63,267</u>	<u>\$ 76,366</u>

Debt Administration

At June 30, 2017, the Charter School had \$7,930,478 of outstanding debt, of which is for net pension liability.

For more detailed information, please refer to the Notes to the Financial Statements.

Factors Bearing on the Charter School's Future

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

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. Matt A. Anar, Business Administrator/Board Secretary at Paterson Charter School for Science and Technology, 196 W. Railway Ave., Paterson, New Jersey 07503.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Charter School's operation. These financial statements present the financial position and operating results of all funds as of June 30, 2017.

SECTION A – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,047,986	\$ 60,202	\$ 1,108,188
Restricted	6		6
Interfund Receivables	5,746		5,746
Receivables	153,008	42,373	195,381
Inventories		6,693	6,693
Other Assets	60,000		60,000
Capital Assets, Net	2,322,299	63,267	2,385,566
	<u> </u>	<u> </u>	<u> </u>
Total Assets	3,589,045	172,535	3,761,580
	<u> </u>	<u> </u>	<u> </u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	3,069,547		3,069,547
	<u> </u>	<u> </u>	<u> </u>
Deferred Outflows of Resources	3,069,547	-	3,069,547
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:			
Interfund Payable	2,340		2,340
Payable to District	15,598		15,598
Accounts Payable	204,212		204,212
Deferred Revenue		2,059	2,059
Noncurrent Liabilities:			
Due Beyond One Year:			
Net Pension Liability	7,930,478		7,930,478
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	8,152,628	2,059	8,154,687
	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	742,422		742,422
	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources	742,422	-	742,422
	<u> </u>	<u> </u>	<u> </u>
NET POSITION:			
Net Investment in Capital Assets	2,322,299	63,267	2,385,566
Unassigned	(4,558,757)	107,209	(4,451,548)
	<u> </u>	<u> </u>	<u> </u>
Total Net Position	\$ (2,236,458)	\$ 170,476	\$ (2,065,982)
	<u> </u>	<u> </u>	<u> </u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Statement of Activities
For The Fiscal Year Ended June 30, 2017

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	\$ 9,424,127	\$ -	\$ -	\$ 325,050	\$ -	\$ (9,099,077)	\$ -	\$ (9,099,077)
Administration	2,838,768					(2,838,768)		(2,838,768)
Support Services	4,527,508					(4,527,508)		(4,527,508)
Capital Outlay	728,617					(728,617)		(728,617)
Unallocated Depreciation	13,547					(13,547)		(13,547)
Total Governmental Activities	17,532,567	\$ -	\$ -	325,050	-	(17,207,517)	-	(17,207,517)
BUSINESS-TYPE ACTIVITIES:								
Food Service	789,966							
Total Business-Type Activities	789,966							
Total Primary Government	\$ 18,322,533					\$ (17,207,517)	\$ (30,064)	\$ (17,237,581)
GENERAL REVENUES								
General Purposes			\$ 1,473,761			\$ 1,473,761	\$ -	\$ 1,473,761
Federal and State Aid Not Restricted			15,518,254			15,518,254		15,518,254
Investment Earnings			1,741			1,741	429	2,170
Miscellaneous Income			82,536			82,536		82,536
Total General Revenues			17,076,292			17,076,292	429	17,076,721
Change in Net Position						(131,225)	(29,635)	(160,860)
Net Position - Beginning of Year						(2,105,233)	200,111	(1,905,122)
Net Position - Ending						(2,236,458)	\$ 170,476	\$ (2,065,982)

SECTION B – FUND FINANCIAL STATEMENTS

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

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

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

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

GOVERNMENTAL FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,036,091	\$ 11,895	\$ 1,047,986
Restricted	6		6
Interfund Receivables	5,746		5,746
Receivables From Other Governments	11,748	92,821	104,569
Other Receivables	48,439		48,439
Other Assets	60,000		60,000
	<u>\$ 1,162,030</u>	<u>\$ 104,716</u>	<u>\$ 1,266,746</u>
Total Assets			
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	\$ -	\$ 2,340	\$ 2,340
Payable to District	15,598		15,598
Accounts Payable	101,836	102,376	204,212
	<u>117,434</u>	<u>104,716</u>	<u>222,150</u>
Total Liabilities			
Fund Balances:			
Unassigned:			
General Fund	1,044,596		1,044,596
	<u>1,044,596</u>	<u>-</u>	<u>1,044,596</u>
Total Fund Balances			
Total Liabilities and Fund Balances			
	<u>\$ 1,162,030</u>	<u>\$ 104,716</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 \$4,278,387 and the accumulated depreciation is \$1,956,088.

2,322,299

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

(7,930,478)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions

3,069,547

Deferred inflows related to pensions

(742,422)

Net Position of Governmental Activities

\$ (2,236,458)

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,473,761	\$ -	\$ 1,473,761
Interest on Investments	1,741		1,741
Miscellaneous	82,536		82,536
Total Local Sources	1,558,038	-	1,558,038
State Sources	14,923,616		14,923,616
Federal Sources	7,706	911,982	919,688
Total Revenues	16,489,360	911,982	17,401,342
EXPENDITURES:			
Current:			
Instruction	5,580,888	663,817	6,244,705
Administration	4,945,135		4,945,135
Support Services	4,932,558	248,165	5,180,723
Capital Outlay	728,617		728,617
Total Expenditures	16,187,198	911,982	17,099,180
NET CHANGE IN FUND BALANCES	302,162	-	302,162
FUND BALANCES, JULY 1	742,434	-	742,434
FUND BALANCES, JUNE 30	\$ 1,044,596	\$ -	\$ 1,044,596

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental fund (from B-2)	\$ 302,162
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.	
Depreciation Expense	(775,410)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds. The increase in capital leases is a reduction to the reconciliation. The decrease in capital leases is an addition to the reconciliation.	
	700,000
Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.	
	<u>(357,977)</u>
Change in net position of governmental activities	<u><u>\$ (131,225)</u></u>

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

PROPRIETARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund
Statement of Net Position
June 30, 2017

	Business-Type Activities Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 60,202
Intergovernmental Accounts Receivable:	
Federal	40,984
State	456
Other Receivables	933
Inventories	<u>6,693</u>
 Total Current Assets	 <u>109,268</u>
Noncurrent Assets:	
Machinery and Equipment	159,624
Less Accumulated Depreciation	<u>(96,357)</u>
 Total Noncurrent Assets	 <u>63,267</u>
 Total Assets	 <u>\$ 172,535</u>
LIABILITIES AND NET POSITION:	
Liabilities:	
Deferred Revenue	<u>\$ 2,059</u>
 Total Liabilities	 <u>2,059</u>
Net Position:	
Net Investment in Capital Assets	63,267
Unassigned	<u>107,209</u>
 Total Net Position	 <u>170,476</u>
 Total Liabilities and Net Position	 <u>\$ 172,535</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 196
Daily Sales Non-reimbursable Program	47,980
	48,176
Total Operating Revenues	48,176
OPERATING EXPENSES:	
Salaries	294,276
Management Fees	8,360
Purchased Prof/Tech Services	7,273
Supplies and Materials	39,204
Depreciation Expense	15,135
Cost of Sales Reimbursable Program	341,583
Cost of Sales Non-reimbursable Program	55,206
Miscellaneous Expenses	28,929
	789,966
Total Operating Expenses	789,966
OPERATING INCOME (LOSS)	(741,790)
NONOPERATING REVENUES:	
Interest Earned	429
State Source:	
State School Lunch Program	7,408
Federal Source:	
National School Breakfast/Lunch/Snack Programs	627,696
Fresh Fruit and Vegetable Program	31,014
USDA Commodities	45,608
	712,155
Total Nonoperating Revenues	712,155
CHANGE IN NET POSITION	(29,635)
TOTAL NET POSITION, JULY 1	200,111
TOTAL NET POSITION, JUNE 30	\$ 170,476

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

	Business-Type Activities
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 62,760
Cash Payments to Suppliers and Employees	<u>(826,607)</u>
Net Cash Used In Operating Activities	<u>(763,847)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	<u>711,726</u>
Net Cash Provided By Noncapital Financing Activities	<u>711,726</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Deposits and Investments	<u>430</u>
Net Cash Provided By Investing Activities	<u>430</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition And Construction Of Capital Assets	<u>(2,036)</u>
Net Cash Used In Capital And Related Financing Activities	<u>(2,036)</u>
Net Increase In Cash And Cash Equivalents	(53,727)
Cash And Cash Equivalents, Beginning Of Year	<u>113,929</u>
Cash And Cash Equivalents, End Of Year	<u><u>\$ 60,202</u></u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating Loss Used In Operating Activities	\$ (741,790)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	15,135
Change In Assets And Liabilities:	
Increase In Receivables From Other Governments	15,517
Increase In Other Receivables	(933)
Increase In Inventories	(6,693)
Decrease In Accounts Payable	(47,142)
Increase In Deferred Revenue	<u>2,059</u>
Net Cash Used For Operating Activities	<u><u>\$ (763,847)</u></u>

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

FIDUCIARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2017

	Trusts		
	Unemployment Compensation Insurance	Flexible Spending Account	Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ -	\$ -	\$ 125,934
Interfund Accounts Receivable			183
Total Assets	-	-	<u>\$ 126,117</u>
LIABILITIES:			
Interfund Accounts Payable			\$ 3,589
Payroll Deductions and Withholdings			65,569
Due to Student Groups			56,959
Total Liabilities	-	-	<u>\$ 126,117</u>
NET POSITION:			
Held in Trust for Claims	-	-	
Total Liabilities and Net Position	\$ -	\$ -	

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Year Ended June 30, 2017

	Trusts	
	Unemployment Compensation Insurance	Flexible Spending Account
ADDITIONS:		
Contributions:		
Plan Member	\$ -	\$ 15,985
Total Contributions	-	15,985
Investment Earnings:		
Interest	-	26
Net Investment Earnings	-	26
Total Additions	-	16,011
DEDUCTIONS:		
Payment of Claims	-	26,107
Total Deductions	-	26,107
CHANGE IN NET POSITION	-	(10,096)
NET POSITION - BEGINNING OF THE YEAR	-	10,096
NET POSITION - END OF THE YEAR	\$ -	\$ -

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Paterson Charter School for Science and Technology include two schools a Grade K-6 and a Grade 7-12 located in the City of Paterson. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements – Government-Wide Statements

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (Continued)

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

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

D. Basic Financial Statements – Fund Financial Statements

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

The following fund types are used by the Charter School:

Governmental Fund Types

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

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.

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

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

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

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

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

activities, or investing activities normally would not be reported as components of operating income.

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

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

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

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

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

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

net position and are reported using accounting principles similar to proprietary funds.

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

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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

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

F. Budgets/Budgetary Control

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

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

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

Total Revenues & Expenditures (Budgetary Basis)	\$ 911,982
Adjustments:	
Less Encumbrances at June 30, 2017	-
Plus Encumbrances at June 30, 2016	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 911,982</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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

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

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

1. Deposits and Investments

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

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

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

2. Short-term Interfund Receivables/Payables

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

3. Inventories

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

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

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

Land and Construction in Progress are not depreciated.

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

5. Fund Equity

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

6. Use of Estimates

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

7. Net Position/Fund Balance

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

H. Fund Balance Reserves

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

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

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

I. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The Charter School implemented the following GASB statements for the fiscal year ended June 30, 2017:

Statement No. 77, *Tax Abatement Disclosures*. This Statement provides financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assesses (a) whether current-year revenues were sufficient to pay

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The adoption of this Statement had no impact on the basic financial statements of the Charter School.

Statement No. 80, *Blending Requirements for Certain Component Units as amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement had no impact on the basic financial statements of the Charter School.

Statement No. 82, Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement did not have a significant impact on the basic financial statements of the Charter School.

Recently Issued Accounting Pronouncements

Other GASB Statements that the Charter School is currently reviewing for applicability and potential impact on the financial statements include:

Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, will be effective beginning with fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Statements No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other postemployment benefits (OPEB)).

Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Statement No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

J. Pensions

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

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

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

As of June 30, 2017, cash and cash equivalents of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 1,036,097</u>	<u>\$ 11,895</u>	<u>60,202</u>	<u>\$ 125,934</u>	<u>\$ 1,234,128</u>

The Charter School had no investments at June 30, 2017.

The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$1,234,128 and the bank balance was \$1,543,256. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Deposits and Investments (Continued)

As of June 30, 2017, none of the cash and cash equivalents for Paterson Charter School for Science and Technology were exposed to custodial credit risk.

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

Investments

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

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
 - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
 - (6) Local government investment pools;
 - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
 - (8) Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2017.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Deposits and Investments (Continued)

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2017.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2017.

B. Receivables

Receivables at June 30, 2017, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	<u>Governmental Fund Financial Statements</u>	<u>Governmental Wide Financial Statements</u>
State Aid	\$ 60,187	\$ 60,643
Federal Aid	92,821	133,805
Other	-	933
Gross Receivables	<u>153,008</u>	<u>195,381</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 153,008</u>	<u>\$ 195,381</u>

C. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2017.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 5,746	\$ -
Special Revenue Fund		2,340
Fiduciary Fund	<u>183</u>	<u>3,589</u>
Total	<u>\$ 5,929</u>	<u>\$ 5,929</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Building Improvements	\$ 270,953	\$ -	\$ -	\$ 270,953
Furniture, Machinery and Equipment	4,007,434	-	-	4,007,434
Total Capital Assets Being Depreciated	<u>4,278,387</u>	<u>-</u>	<u>-</u>	<u>4,278,387</u>
Less Accumulated Depreciation For:				
Building Improvements	20,322	13,547	-	33,869
Furniture, Machinery and Equipment	1,160,356	761,863	-	1,922,219
Total Accumulated Depreciation	<u>1,180,678</u>	<u>775,410</u>	<u>-</u>	<u>1,956,088</u>
Total Capital Assets Being Depreciated,				
Net of Accumulated Depreciation	<u>3,097,709</u>	<u>(775,410)</u>	<u>-</u>	<u>2,322,299</u>
Government Activity Capital Assets, Net	<u>\$ 3,097,709</u>	<u>\$ (775,410)</u>	<u>\$ -</u>	<u>\$ 2,322,299</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 157,588	\$ 2,036	\$ -	\$ 159,624
Less Accumulated Depreciation	(81,222)	(15,135)	-	(96,357)
Enterprise Fund Capital Assets, Net	<u>\$ 76,366</u>	<u>\$ (13,099)</u>	<u>\$ -</u>	<u>\$ 63,267</u>

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the Charter School-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance-total governmental funds is made to reflect the carrying value of the Charter School's capital assets at year-end in the Charter School-wide financial statements.

Depreciation expense was charged to functions as follows:

Depreciation Expense:	
Instructional	\$ 639,903
Administration	67,926
Support	54,034
Unallocated	13,547
Total	<u>\$ 775,410</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

**NOTE 3: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES
/EXPENDITURES**

Operating Leases

K-6 Campus

The school leases classroom and office space at 276 Wabash Avenue, Paterson, New Jersey. The lease is for sixty (60) months commencing July 1, 2012 and expiring on June 30, 2017 with an option to renew for seven (7) periods, consisting of five (5) years each. The lease was extended for the second (2nd) renewal period of five (5) years commencing July 1, 2017 and expiring on June 30, 2022. The lease will automatically renew for a total of five (5) additional renewal periods of five (5) years each. The school has the option to buy the building for the sum of one dollar (\$1.00) on July 2, 2044. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 1,156,000
2019	1,156,000
2020	1,156,000
2021	1,156,000
2022	<u>1,156,000</u>
Total future minimum lease payments	<u>\$ 5,780,000</u>

7-12 Campus

The school also leases classroom and office space at 196 West Railway Avenue, Paterson, New Jersey. The lease is for three (3) years commencing July 1, 2014 and ending June 30, 2017. The lease was extended for the first (1st) renewal period of five (5) years commencing July 1, 2017 and expiring on June 30, 2022. The lease will automatically renew for a total of five (5) additional renewal periods of five (5) years each. The school has the option to buy the building for the sum of one dollar (\$1.00) on July 2, 2044. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 1,482,400
2019	1,482,400
2020	1,482,400
2021	1,482,400
2022	<u>1,482,400</u>
Total future minimum lease payments	<u>\$ 7,412,000</u>

Total lease payments for the year ended June 30, 2017 amounted to \$2,449,200.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

**NOTE 3: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES
/EXPENDITURES**

Capital Lease Payable

The Charter School is leasing technology equipment totaling \$2,400,000 under a capital lease. The capital lease is for a term of three years. It has been paid off as of June 30, 2017:

NOTE 4: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several Charter School employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>.

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.

Vesting and Benefit Provisions

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Vesting and Benefit Provisions (Continued)

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

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 reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than actuarial determined amount.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Contributions (Continued)

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 \$246,640 for fiscal year 2017.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the Charter School reported a liability of \$7,930,478 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2015 which was rolled forward to June 30, 2016. 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. For the June 30, 2016 measurement date, the Charter School's proportion was 0.0267766574%, which was a decrease of 0.0045556719% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the Charter School recognized pension expense of \$794,815, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

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

At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 147,483	\$ -
Changes in Assumptions	1,642,771	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	302,396	-
Changes in Proportion and Differences between Charter School Contributions and Proportionate Share of Contributions	730,257	742,422
Charter School Contributions Subsequent to the Measurement Date	<u>246,640</u>	<u>-</u>
	<u>\$ 3,069,547</u>	<u>\$ 742,422</u>

\$246,640, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2018.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2017	\$ 471,141
2018	471,141
2019	545,833
2020	458,580
2021	145,955
	<hr/>
	<u>\$ 2,092,650</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

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

The amortization of the other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00 years
June 30, 2015	-	5.00 years
June 30, 2016	5.00 years	-
Changes in Proportion and Differences between Charter School Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	6.44 years
June 30, 2015	5.72 years	5.72 years
June 30, 2016	5.57 years	5.57 years

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases:	
2012-2021	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Discount Rate (Continued)

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 based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the Charter School's proportionate share of the collective 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, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's Proportionate Share of the Net Pension Liability	\$ 9,717,875	\$ 7,930,478	\$ 6,454,827

Pension Plan Fiduciary Net Position

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 respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

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 to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about 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.

Vesting and Benefit Provisions

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, members' beneficiaries are entitled to full interest credited to the members' 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 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 age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 with 25 or more years of service credit before age 62, and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Teacher's Pension Annuity Fund (TPAF) (Continued)

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School. However, the notes to the financial statements of the Charter School must disclose 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 June 30, 2017, the State of New Jersey contributed \$72,013 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$478,517.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the Charter School was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

The State's proportionate share of the net pension liability, attributable to the Charter School is as follows:

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State of New Jersey 's Proportionate Share of the Net Pension Liability Associated with the Charter School	<u>47,266,733</u>
Total	<u>\$ 47,266,733</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. For the June 30, 2016 measurement date, 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 employers and the State of New Jersey, actuarially determined. At June 30, 2016, Charter School's proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2016 measurement date, the State's proportionate share of the TPAF net pension liability associated with the Charter School was 0.0600850585%, which was an increase of 0.0093968514% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the Charter School recognized \$3,551,437 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

The State reported the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016:

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 15,702,750,875	\$ -
Difference Between Expected and Actual Experience	277,221,464	134,532,594
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>1,434,728,663</u>	<u>-</u>
	<u><u>\$ 17,414,701,002</u></u>	<u><u>\$ 134,532,594</u></u>

The amortization of the deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	8.5 years
June 30, 2015	8.3 years	-
June 30, 2016	-	8.3 years
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	8.5 years	-
June 30, 2015	8.3 years	-
June 30, 2016	8.3 years	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00 years	-
June 30, 2015	5.00 years	-
June 30, 2016	5.00 years	-

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense excluding that attributable to employer-paid member contributions as follows:

Fiscal Year Ending June 30,	Total
2016	\$ 2,538,535,636
2017	2,538,535,636
2018	2,973,844,781
2019	2,781,202,718
2020	2,349,347,527
Thereafter	4,098,702,110
	<u>\$ 17,280,168,408</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuations 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	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Teacher's Pension Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 01, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Teacher's Pension Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016, 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 based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

As previously mentioned, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the Charter School is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the Charter School, using a discount rate of 3.22%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

	Fiscal Year Ended June 30, 2016		
	<u>1% Decrease (2.22%)</u>	<u>Current Discount Rate (3.22%)</u>	<u>1% Increase (4.22%)</u>
Charter School's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of the Net Pension Liability Associated with the Charter School	<u>56,707,182</u>	<u>47,484,565</u>	<u>39,953,108</u>
	<u>\$ 56,707,182</u>	<u>\$ 47,484,565</u>	<u>\$ 39,953,108</u>

Pension Plan Fiduciary Net Position

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 respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

C. Defined Contribution Retirement Program (DCRP)

Plan Description

The Defined Contribution Retirement Program (DCRP) is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 4: PENSION PLANS

Defined Contribution Retirement Program (DCRP) (Continued)

Plan Description (Continued)

IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for Tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2017, employee contributions totaled to \$4,702, and the Charter School recognized pension expense, which equaled the required contributions, of \$2,565.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 5: 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, 2016 there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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

<http://www.nj.gov/treasury/pensions/annrpts.shtml>

NOTE 6: RISK MANAGEMENT

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

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The Charter School pays an

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2017

NOTE 6: RISK MANAGEMENT (CONTINUED)

annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

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

New Jersey Unemployment Compensation Insurance

Prior to 2016-2017 school year, the Charter School had elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State.

Starting in 2016-2017 school year, the charter school changed the unemployment contribution to the "Contributory Method" where the Charter School will now remit the entire employee deduction to the Commissioner of Labor. As of June 30, 2017, there is no balance in the school's Unemployment Compensation trust account.

NOTE 7: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

The General Fund balance at June 30, 2017 is \$1,044,596 and is unassigned and undesignated.

NOTE 8: SUBSEQUENT EVENTS

The Paterson Charter School for Science and Technology's management has informed us that the school leases another building for additional classroom and office space for the 2017-2018 school year.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Equalization Aid - Local Share - Charter School Aid	\$ 1,479,664	\$ (5,903)	\$ 1,473,761	\$ 1,473,761	\$ -
Total Local Sources	1,479,664	(5,903)	1,473,761	1,473,761	-
Categorical Aid:					
Equalization Aid - State Share - Charter School Aid	11,677,687	189,077	11,866,764	11,866,764	-
Special Education Categorical Aid	232,675	92,375	325,050	325,050	-
Security Aid	473,043	388	473,431	473,431	-
State Adjustment Aid		464,580	464,580	464,580	-
Other State Aid	752,940	(740,421)	12,519	12,519	-
Total Categorical Aid	13,136,345	5,999	13,142,344	13,142,344	-
Federal Sources:					
Medicaid Reimbursement		7,706	7,706	7,706	-
Total Federal Sources	-	7,706	7,706	7,706	-
Other Sources:					
Interest Income				1,741	1,741
Miscellaneous Revenue	43,833		43,833	81,790	37,957
Refund from Prior Year				746	746
On-Behalf TPAF Pension Aid (Non-Budgeted)				716,307	716,307
Reimbursed TPAF Social Security Aid (Non-Budgeted)				460,424	460,424
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)				596,847	596,847
On-Behalf TPAF Long-Term Disability Insurance Aid (Non-Budgeted)				7,694	7,694
Total Other Sources	43,833	-	43,833	1,865,549	1,821,716
Total Revenues	14,659,842	7,802	14,667,644	16,489,360	1,821,716
EXPENDITURES:					
Instruction:					
Salaries of Teachers	5,125,173	(260,953)	4,864,220	4,864,046	174
Other Salaries for Instruction	380,260	8,370	388,630	381,946	6,684
Purchased Prof/Tech Services	250,249	(125,722)	124,527	85,414	39,113
Other Purchased Services	159,322	3,000	162,322	157,068	5,254
General Supplies	124,090	6,000	130,090	71,831	58,259
Textbooks	7,587		7,587	1,855	5,732
Miscellaneous	29,643		29,643	18,728	10,915
Total Instruction	6,076,324	(369,305)	5,707,019	5,580,888	126,131
Administration:					
Salaries - General Administration	1,171,112	49,566	1,220,678	1,219,674	1,004
Salaries of Secretarial/Clerical Assistants	176,493	22,000	198,493	195,402	3,091
Total Benefits Cost	1,889,321	87,565	1,976,886	1,972,318	4,568
Purchases Prof/Tech Services	152,416	82,148	234,564	191,900	42,664
Other Purchased Services	67,143		67,143	57,746	9,397
Communications/Telephone	16,800		16,800	8,871	7,929
Supplies and Materials	34,118		34,118	24,273	9,845
Interest on Current Loans	10,000		10,000	4,366	5,634
Miscellaneous Expenses	24,044	3,000	27,044	25,612	1,432
Total Administration	3,541,447	244,279	3,785,726	3,700,162	85,564

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued From Prior Page)					
Support Services:					
Salaries	\$ 1,104,565	\$ (9,653)	\$ 1,094,912	\$ 1,092,881	\$ 2,031
Purchased Prof/Ed Services	53,256	63,263	116,519	116,519	-
Purchased Prof/Tech Services	7,599	5,133	12,732	12,732	-
Rental of Land and Buildings	2,449,200		2,449,200	2,449,200	-
Other Purchased Services	220,974	43,936	264,910	248,082	16,828
Transportation-Other Than To/From School	65,525	7,500	73,025	65,169	7,856
Insurance for Property, Liability and Fidelity	95,590	28,300	123,890	123,846	44
Supplies and Materials	58,167	(30,200)	27,967	26,421	1,546
Energy Costs (Heat and Electricity)	244,662	16,747	261,409	261,409	-
Total Support Services	4,299,538	125,026	4,424,564	4,396,259	28,305
Capital Outlay:					
Instructional Equipment	358,749		358,749	358,749	-
Non-Instructional Equipment	376,580		376,580	369,868	6,712
Total Capital Outlay	735,329	-	735,329	728,617	6,712
On-Behalf TPAF Pension Contributions (Non-Budgeted)				716,307	(716,307)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				460,424	(460,424)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				596,847	(596,847)
On-Behalf TPAF Long-Term Disability Insurance Contributions (Non-Budgeted)				7,694	(7,694)
Total Expenditures	14,652,638	-	14,652,638	16,187,198	(1,534,560)
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,204	7,802	15,006	302,162	287,156
FUND BALANCE, JULY 1	742,434	-	742,434	742,434	-
FUND BALANCE, JUNE 30	\$ 749,638	\$ 7,802	\$ 757,440	\$ 1,044,596	\$ 287,156
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures: Budgeted Fund Balance	\$ 749,638	\$ 7,802	\$ 757,440	\$ 1,044,596	\$ 287,156
Total	\$ 749,638	\$ 7,802	\$ 757,440	\$ 1,044,596	\$ 287,156

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 893,206	\$ 18,776	\$ 911,982	\$ 911,982	\$ -
Total Revenues	<u>893,206</u>	<u>18,776</u>	<u>911,982</u>	<u>911,982</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries	264,325	(17,538)	246,787	246,787	-
Salaries of Teachers	124,500	3,440	127,940	127,940	-
Purchased Prof/Tech Services	246,494	2,236	248,730	248,730	-
General Supplies	12,129	28,231	40,360	40,360	-
Total Instruction	<u>647,448</u>	<u>16,369</u>	<u>663,817</u>	<u>663,817</u>	<u>-</u>
Support Services:					
Salaries	91,206	(10,453)	80,753	80,753	-
Personal Services - Employee Benefits	96,457	(3,704)	92,753	92,753	-
Purchased Prof/Ed Services	31,095	5,092	36,187	36,187	-
Purchased Professional Services	5,000	4,876	9,876	9,876	-
Supplies and Materials	22,000	6,596	28,596	28,596	-
Total Support Services	<u>245,758</u>	<u>2,407</u>	<u>248,165</u>	<u>248,165</u>	<u>-</u>
Total Expenditures	<u>893,206</u>	<u>18,776</u>	<u>911,982</u>	<u>911,982</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2017

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 16,489,360	[C-2] \$ 911,982
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ 16,489,360	[B-2] \$ 911,982
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 16,187,198	[C-2] \$ 911,982
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 16,187,198	[B-2] \$ 911,982

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

The schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Required Supplementary Information Schedules
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Public Employees Retirement System
 Last Four Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,			
	2017	2016	2015	2014
Charter School's proportion of the net pension liability	0.0267766574%	0.0313323293%	0.0268956671%	0.0251831644%
Charter School's proportionate share of the net pension liability	\$ 7,930,478	\$ 7,033,480	\$ 5,035,604	\$ 4,813,003
Charter School's covered employees payroll	\$ 1,376,563	\$ 1,517,838	\$ 3,147,799	\$ 2,989,172
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	576.11%	463.39%	159.97%	161.01%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Required Supplementary Information Schedules
 Schedule of the Charter School Contributions
 Public Employees Retirement System
 Last Four Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,			
	2017	2016	2015	2014
Contractually required contribution	\$ 237,880	\$ 269,374	\$ 221,724	\$ 189,750
Contributions in relation to the contractually required contribution	<u>(246,640)</u>	<u>(272,129)</u>	<u>(224,462)</u>	<u>(213,965)</u>
Contribution deficiency/(excess)	<u>\$ (8,760)</u>	<u>\$ (2,755)</u>	<u>\$ (2,738)</u>	<u>\$ (24,215)</u>
Charter School's covered employee payroll	\$ 1,376,563	\$ 1,517,838	\$ 3,147,799	\$ 2,989,172
Contributions as a percentage of covered employee payroll	17.28%	17.75%	7.04%	6.35%

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Required Supplementary Information Schedules
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Teachers Pension and Annuity Fund
 Last Four Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,			
	2017	2016	2015	2014
State's proportion of the net pension liability attributable of the Charter School	0.0600850585%	0.0506882071%	0.0505361891%	0.0386159767%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 47,266,733	\$ 32,037,111	\$ 27,009,948	\$ 19,516,211
Charter School's covered employees payroll	\$ 5,827,904	\$ 5,994,422	\$ 5,943,698	\$ 5,915,567
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	811.04%	534.45%	454.43%	329.91%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to Required Supplementary Information

Public Employees Retirement System

For Fiscal Year Ended June 30, 2017

A. Benefit Changes

There were none.

B. Changes in Assumptions

For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to Required Supplementary Information

Teachers Pension and Annuity Fund

For Fiscal Year Ended June 30, 2017

A. Benefit Changes

There were none.

B. Changes in Assumptions

For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

OTHER SUPPLEMENTARY INFORMATION

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2017

	NCLB Title I	NCLB Title I Carryover	I.D.E.A. Part B	I.D.E.A. PreSchool	NCLB Title II	Grand Total
REVENUE SOURCES:						
Federal	\$ 678,263	\$ 18,776	\$ 200,331	\$ 2,967	\$ 11,645	\$ 911,982
Total Revenues	678,263	18,776	200,331	2,967	11,645	911,982
EXPENDITURES:						
Instruction:						
Salaries	246,787					246,787
Salaries of Teachers	127,940					127,940
Purchased Prof/Tech Services	45,699		200,331	2,700		248,730
General Supplies	21,317	18,776		267		40,360
Total Instruction	441,743	18,776	200,331	2,967	-	663,817
Support Services:						
Salaries	80,753					80,753
Personal Services - Employee Benefits	92,753					92,753
Purchased Prof/Ed Services	24,542				11,645	36,187
Other Purchased Prof/Tech Services	9,876					9,876
Supplies and Materials	28,596					28,596
Total Support Services	236,520	-	-	-	11,645	248,165
Total Expenditures	678,263	18,776	200,331	2,967	11,645	911,982
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

Agency Funds are used to account for assets held by the 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Combining Statement of Fiduciary Net Position

As of June 30, 2017

	Trusts		Agency			Total Agency Fund
	Unemployment Compensation Insurance	Flexible Spending Account	Payroll Agency	Net Payroll	Student Activities	
ASSETS:						
Cash and Cash Equivalents	\$ -	\$ -	\$ 65,682	\$ 3,476	\$ 56,776	\$ 125,934
Interfund Accounts Receivable					183	
Total Assets			\$ 65,682	\$ 3,476	\$ 56,959	\$ 126,117
LIABILITIES:						
Interfund Accounts Payable			\$ 113	\$ 3,476	\$ -	\$ 3,589
Payroll Deductions and Withholdings Due to Student Groups			65,569		56,959	65,569
Total Liabilities			\$ 65,682	\$ 3,476	\$ 56,959	\$ 126,117
NET POSITION:						
Held in Trust for Claims	-	-				
Total Net Position	\$ -	\$ -				

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Trust Funds
 For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Insurance</u>	<u>Flexible Spending Account</u>
ADDITIONS:		
Interest	\$ -	\$ 26
Contributions	-	15,985
	<u>-</u>	<u>15,985</u>
Total Additions	<u>-</u>	<u>16,011</u>
DEDUCTIONS:		
Payment of Claims	-	26,107
	<u>-</u>	<u>26,107</u>
Total Deductions	<u>-</u>	<u>26,107</u>
CHANGE IN NET POSITION	-	(10,096)
NET POSITION - BEGINNING OF THE YEAR	<u>-</u>	<u>10,096</u>
NET POSITION - END OF THE YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
School Activities	<u>\$ 48,977</u>	<u>\$ 190,677</u>	<u>\$ 182,878</u>	<u>\$ 56,776</u>
Total	<u><u>\$ 48,977</u></u>	<u><u>\$ 190,677</u></u>	<u><u>\$ 182,878</u></u>	<u><u>\$ 56,776</u></u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS:				
Cash and Cash Equivalents	\$ 16	\$ 3,943,981	\$ 3,878,315	\$ 65,682
Total Assets	<u>\$ 16</u>	<u>\$ 3,943,981</u>	<u>\$ 3,878,315</u>	<u>\$ 65,682</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 16	\$ 97	\$ -	\$ 113
Payroll Deductions and Withholdings	-	3,943,884	3,878,315	65,569
Total Liabilities	<u>\$ 16</u>	<u>\$ 3,943,981</u>	<u>\$ 3,878,315</u>	<u>\$ 65,682</u>

SECTION I – LONG-TERM DEBT SCHEDULES

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Long-Term Debt
 Schedule of Obligations Under Capital Leases
 As of June 30, 2017

Issue	Date of Issue	Amount of Issue	Interest Rate Payable	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
Equipment Lease	7/1/2014	\$ 2,400,000	3.571%	\$ 700,000	-	\$ 700,000	-
				\$ 700,000	-	\$ 700,000	-

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 has changed over time.

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Net Assets/Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 2,322,299	\$ 2,397,709	\$ 1,839,880	\$ 275,580	\$ 266,681	\$ (203,448)	\$ 31,616	\$ 14,765	\$ 20,163	\$ 23,089
Unrestricted	(4,558,757)	(4,502,942)	(3,655,292)	3,058,045	2,945,016	2,536,728	2,409,087	1,843,645	1,273,368	212,470
Total Governmental Activities Net Assets/Position	<u>\$ (2,236,458)</u>	<u>\$ (2,105,233)</u>	<u>\$ (1,815,412)</u>	<u>\$ 3,333,625</u>	<u>\$ 3,211,697</u>	<u>\$ 2,333,280</u>	<u>\$ 2,440,703</u>	<u>\$ 1,858,410</u>	<u>\$ 1,293,531</u>	<u>\$ 235,559</u>
Business-Type Activities										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 63,267	\$ 83,253	\$ 83,253	\$ 32,465	\$ 23,770	\$ 23,770	\$ 24,795	\$ 25,485	\$ 6,293	\$ 7,107
Unrestricted	107,209	116,858	164,905	127,807	168,038	166,871	98,035	69,578	23,212	4,352
Total Business-Type Activities Net Assets/Position	<u>\$ 170,476</u>	<u>\$ 200,111</u>	<u>\$ 248,158</u>	<u>\$ 160,272</u>	<u>\$ 191,808</u>	<u>\$ 190,641</u>	<u>\$ 122,830</u>	<u>\$ 95,063</u>	<u>\$ 29,505</u>	<u>\$ 11,459</u>
Charter School-wide										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 2,385,566	\$ 2,480,962	\$ 1,923,133	\$ 308,045	\$ 290,451	\$ (179,678)	\$ 56,411	\$ 40,250	\$ 26,456	\$ 30,196
Unrestricted	(4,451,548)	(4,386,084)	(3,490,387)	3,185,852	3,113,054	2,703,599	2,507,122	1,913,223	1,296,580	216,822
Total Charter School-wide Net Assets/Position	<u>\$ (2,065,982)</u>	<u>\$ (1,905,122)</u>	<u>\$ (1,567,254)</u>	<u>\$ 3,493,897</u>	<u>\$ 3,403,505</u>	<u>\$ 2,523,921</u>	<u>\$ 2,563,533</u>	<u>\$ 1,953,473</u>	<u>\$ 1,323,036</u>	<u>\$ 247,018</u>

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Changes in Net Assets/Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
Instruction	\$ 9,424,127	\$ 9,860,285	\$ 6,847,415	\$ 8,637,456	\$ 7,781,671	\$ 8,227,659	\$ 5,362,000	\$ 3,802,801	\$ 3,530,643	\$ 3,097,642
Administration	2,838,768	1,202,817	2,251,993	1,777,411	1,813,483	1,607,357	1,354,972	1,479,913	1,151,129	919,035
Support Services	4,527,508	6,082,347	6,643,465	6,280,683	5,829,281	6,120,760	4,332,206	2,553,882	2,246,026	1,680,601
Capital Outlay	728,617	170,135	360,546	70,174	102,611	(73,062)	32,507	50	63,296	-
Unallocated Depreciation	13,547	13,548	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	17,532,567	17,329,132	16,103,419	16,765,724	15,527,046	15,882,714	11,081,685	7,836,646	6,991,094	5,697,278
Business-Type Activities:										
Food Service	789,966	829,566	660,550	802,848	702,760	592,179	386,212	209,060	160,911	155,230
Total Business-Type Activities Expenses	789,966	829,566	660,550	802,848	702,760	592,179	386,212	209,060	160,911	155,230
Total Charter School Expenses	18,322,533	18,158,698	16,763,969	17,568,572	16,229,806	16,474,893	11,467,897	8,045,706	7,152,005	5,852,508
Program Revenues										
Governmental Activities:										
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	325,050	201,668	258,791	305,903	286,804	164,840	192,700	156,625	93,675	101,505
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Revenues	325,050	201,668	258,791	305,903	286,804	164,840	192,700	156,625	93,675	101,505
Business-Type Activities:										
Charges for Services	48,176	95,710	67,882	89,336	93,337	155,352	132,222	53,469	19,636	17,321
Operating Grants and Contributions	711,726	685,445	680,228	681,925	608,200	504,413	280,704	209,891	155,357	125,104
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Revenues	759,902	781,155	748,110	771,261	701,537	659,765	412,926	263,360	174,993	142,425
Total Charter School Program Revenues	1,084,952	982,823	1,006,901	1,077,164	988,341	824,605	605,626	419,985	268,668	243,930
Net (Expense)/Revenue										
Governmental Activities	\$ (17,207,517)	\$ (17,127,464)	\$ (15,844,628)	\$ (16,459,821)	\$ (15,240,242)	\$ (15,717,874)	\$ (10,888,985)	\$ (7,680,021)	\$ (6,897,419)	\$ (5,595,773)
Business-Type Activities	(30,064)	(48,411)	87,560	(31,587)	(1,223)	67,586	26,714	54,300	14,082	(12,805)
Total Charter School-wide Net Expense	\$ (17,237,581)	\$ (17,175,875)	\$ (15,757,068)	\$ (16,491,408)	\$ (15,241,465)	\$ (15,650,288)	\$ (10,862,271)	\$ (7,625,721)	\$ (6,883,337)	\$ (5,608,578)
General Revenues and Other Changes in Net Assets/Position										
Governmental Activities:										
General Purposes	\$ 1,473,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,284,588
Federal and State Aid Not Restricted	15,518,254	16,775,873	16,634,274	16,507,691	16,099,565	15,601,904	11,439,501	8,242,866	7,942,844	4,353,301
Investment Earnings	1,741	2,292	2,949	209	158	373	960	1,798	2,029	-
Miscellaneous Income	82,536	59,478	46,909	3,675	18,916	8,174	30,817	236	10,518	18,541
Total Governmental Activities	17,076,292	16,837,643	16,684,132	16,511,575	16,118,659	15,610,451	11,471,278	8,244,900	7,955,391	5,656,430
Business-Type Activities:										
Investment Earnings	429	364	326	-	309	225	1,053	-	-	16,344
Miscellaneous Income	-	-	-	51	309	225	1,053	11,258	3,964	16,344
Total Business-Type Activities	429	364	326	51	309	225	1,053	11,258	3,964	16,344
Total Charter School-wide	17,076,721	16,838,007	16,684,458	16,511,626	16,118,968	15,610,676	11,472,331	8,256,158	7,959,355	5,672,774
Change in Net Assets/Position										
Governmental Activities	\$ (131,225)	\$ (289,821)	\$ 839,504	\$ 51,754	\$ 878,417	\$ (107,423)	\$ 582,293	\$ 564,879	\$ 1,057,972	\$ 60,657
Business-Type Activities	(29,635)	(48,047)	87,886	(31,536)	(914)	67,811	27,767	65,558	18,046	3,539
Total Charter School	\$ (160,860)	\$ (337,868)	\$ 927,390	\$ 20,218	\$ 877,503	\$ (39,612)	\$ 610,060	\$ 630,437	\$ 1,076,018	\$ 64,196

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund Unassigned	\$ 1,044,596	\$ 742,434	\$ 1,242,964	\$ 3,132,545	\$ 3,006,291	\$ 2,066,599	\$ 2,409,087	\$ 1,818,923	\$ 1,239,037	\$ 212,470
Total General Fund	\$ 1,044,596	\$ 742,434	\$ 1,242,964	\$ 3,132,545	\$ 3,006,291	\$ 2,066,599	\$ 2,409,087	\$ 1,818,923	\$ 1,239,037	\$ 212,470

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

Fiscal Year Ending June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local Sources:										
Local Tax Levy	\$ 1,473,761	\$ 1,632,630	\$ 1,522,718	\$ 1,550,128	\$ 1,547,400	\$ 1,495,442	\$ 1,107,102	\$ 887,692	\$ 859,164	\$ 1,284,588
Interest in Investments	1,741	2,292	2,949	209	158	373	960	1,798	2,029	-
Miscellaneous	82,536	59,478	46,909	3,675	18,916	8,174	30,817	236	10,518	18,541
State Sources	14,923,616	14,425,628	14,473,354	14,381,872	13,827,912	13,102,811	9,649,515	7,265,934	6,790,411	4,028,567
Federal Sources	919,688	919,283	896,993	881,594	1,011,077	1,168,491	875,584	245,865	386,944	426,239
Total Revenues	17,401,342	17,039,311	16,942,923	16,817,478	16,405,463	15,775,291	11,663,978	8,401,525	8,049,066	5,757,935
Expenditures:										
Instruction	6,244,705	6,951,105	7,039,449	6,849,254	6,069,098	6,567,794	4,279,997	3,092,141	3,052,805	2,675,880
Administration	4,945,135	4,562,458	4,657,552	4,133,640	4,084,796	3,608,433	2,858,190	2,241,661	1,760,079	1,407,728
Support Services	5,180,723	5,263,510	5,876,026	5,638,156	5,209,266	5,744,687	3,903,120	2,497,396	2,146,319	1,610,743
Capital Outlay	728,617	762,768	1,259,477	70,174	102,611	196,865	32,507	24,772	63,296	-
Total Expenditures	17,099,180	17,539,841	18,832,504	16,691,224	15,465,771	16,117,779	11,073,814	7,855,970	7,022,499	5,694,351
Net Change in Fund Balance	\$ 302,162	\$ (500,530)	\$ (1,889,581)	\$ 126,254	\$ 939,692	\$ (342,488)	\$ 590,164	\$ 545,555	\$ 1,026,567	\$ 63,584

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

General Fund - Other Local Revenue by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Unaudited

Fiscal Year Ending June 30,	Donations and Contributions	Rentals	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2017	\$ -	\$ -	\$ 746	\$ 81,790	\$ 82,536
2016	-	-	230	59,248	59,478
2015	168	-	2,697	44,044	46,909
2014	-	600	150	2,925	3,675
2013	-	5,500	180	13,236	18,916
2012	-	8,174	-	-	8,174
2011	-	-	2,633	23,184	25,817
2010	-	-	-	236	236
2009	-	-	-	10,518	10,518
2008	-	-	-	18,541	18,541

Source: Charter School records

OPERATING INFORMATION

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

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	107	99	98	98	98	87	58	48	45	39
Administrative	10	10	12	12	11	4	4	4	5	7
Support Services	51	50	59	68	67	65	40	36	31	17
Food Service	1	2	2	3	3	3	1	1	1	1
Total	169	161	171	181	179	159	103	89	82	64

Source: Charter School Personnel Records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2017	1068	\$ 16,370,563	\$ 15,328	-3.06%	101	1:11	1068.00	1051.46	0.48%	98.45%
2016	1061	16,777,073	15,813	-5.97%	99	1:11	1062.90	1022.58	1.44%	96.21%
2015	1045	17,573,027	16,816	4.61%	98	1:11	1047.60	1007.55	1.29%	96.18%
2014	1034	16,621,050	16,075	9.44%	98	1:11	1034.10	1037.95	-0.86%	100.37%
2013	1046	15,363,160	14,688	-4.24%	87	1:11	1043.00	1007.10	0.51%	96.56%
2012	1038	15,920,914	15,338	4.33%	58	1:12	1037.70	969.00	27.72%	93.38%
2011	751	11,041,307	14,702	6.07%	48	1:13	750.10	736.00	24.68%	98.12%
2010	565	7,831,198	13,861	13.13%	45	1:12	565.00	N/A	-0.53%	0.00%
2009	568	6,959,203	12,252	6.08%	39	1:12	568.00	545.00	13.20%	95.95%
2008	493	5,694,351	11,550	2.06%	35	1:12	493.00	454.00	17.24%	92.09%

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).

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

School Building Information
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Charter School Building</u>										
<u>Elementary</u>										
Square Feet	68,000	68,000	68,000	68,000	68,000	68,000	19,138			
Capacity (students)	564	564	564	564	564	564	180			
Enrollment	564	555	555	560	555	556	176			
<u>High School/Middle School</u>										
Square Feet	87,200	87,200	87,200	103,000	103,000	103,000	66,213	66,213	66,213	66,213
Capacity (students)	504	504	504	504	504	504	588	588	588	504
Enrollment	504	490	490	474	485	482	575	561	568	493

Number of Schools at June 30, 2017

Elementary = 1 (Grades K-6)

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

Source: Charter School Facilities Office

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



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

Policy Number: P876AH

Premium: \$70,250.61

Named Insured:
Paterson Charter School for Science and Technology
196 W. Railway Avenue
Paterson, NJ 07503

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

Policy Term: 07/01/2016 to 07/01/2017 12:01 AM Eastern Standard Time

Article I - Property

Real and Personal Property	\$450,000,000 per occurrence NJSIG Limit
Extra Expense	\$50,000,000 per occurrence NJSIG Limit
Valuable Papers and Records	\$10,000,000 per occurrence NJSIG Limit
Demolition and Increased Cost of Construction	\$25,000,000 per occurrence NJSIG Limit
Loss of Rents	Not Covered
Loss of Business Income/Tuition	20,000.00
Limited Builders Risk	\$5,000,000 per occurrence NJSIG Limit
Fire Department Service Charge	\$10,000 per occurrence
Arson Reward	\$10,000 per occurrence
Pollutant Cleanup and Removal	\$250,000 per occurrence
Fine Arts	Not Covered
Sublimits: Special Flood Hazard Area Flood Zones	\$25,000,000 per occurrence/ NJSIG annual aggregate
Accounts Receivable	\$250,000 per occurrence
All Flood Zones	\$75,000,000 per occurrence /NJSIG annual aggregate
Earthquake	\$50,000,000 per occurrence /NJSIG annual aggregate
Terrorism	\$1,000,000 per occurrence /NJSIG annual aggregate
Deductibles:	
Real & Personal	\$1,000 per occurrence
Extra Expense	\$1,000 per occurrence
Valuable Papers	\$1,000 per occurrence
Special Flood Hazard Area Flood Deductibles:	\$500,000 per building
	\$500,000 per building contents
All Other Flood Zones Flood Deductible:	\$10,000 per member/per occurrence



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

Policy Number: P876AH

Article II - Electronic Data Processing

Hardware/Software		\$550,000 per occurrence
Extra Expense		Included
Coverage Extensions:	Transit	\$25,000
	Loss of Income	\$10,000
	Terrorism	Included in Property
	Computer Virus	\$250,000 (\$10,000,000 NJSIG Annual Aggregate)

Deductible:		\$1,000 per occurrence
Special Flood Hazard Area Flood Deductible:		\$500,000 per building contents
All Other Flood Zones Flood Deductible:		\$10,000 per member/per occurrence

Article III - Equipment Breakdown

Combined Single Limit per Accident for Property Damage and Business Income \$100,000,000

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

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



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

Policy Number: P876AH

Article IV - Crime

Insuring Agreements	Limits	Deductibles
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$250,000	\$1,000
Insuring Agreement 2 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$25,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	\$25,000	\$500
Insuring Agreement 4 - Forgery or Alteration	\$250,000	\$1,000
Insuring Agreement 5 - Computer Fraud	\$25,000	\$500
Public Officials Bond:		
Treasurer	\$200,000	\$1,000
Board Secretary	\$192,000	\$1,000

Article V - Comprehensive General Liability

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



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

Policy Number: P876AH

Article VI - Automobile

Liability

Symbol 1 Any Auto

Bodily Injury and Property Damage

\$16,000,000 per accident

Symbol 6 Uninsured/Underinsured Motorists - Private Passenger Autos

\$1,000,000 Per Accident

Symbol 6 Uninsured/Underinsured Motorists - All Other Vehicles

\$15,000 Bodily Injury Per Person

\$30,000 Bodily Injury Per Accident

\$5,000 Property Damage Per Accident

Symbol 5 Personal Injury Protection (including pedestrians)

\$250,000

Medical Payments

\$10,000 private passenger vehicles

\$5,000 all other vehicles

Terrorism

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

Deductible

N/A

Physical Damage (Scheduled vehicles only)

Symbol 7 Comprehensive

\$1,000 deductible

Collision

\$1,000 deductible

Hired Car Physical Damage \$110,000 Limit

\$1,000 deductible

Replacement Cost

Not Covered

Garage Keepers

Included



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

Policy Number: P876AH

Applicable Policy Forms

NJSIG-P1 (7/15); NJSIG-PJLA (7/02); NJSIG-PPCA (7/14); NJSIG-PLR (7/05); NJSIG-DICC (7/15); NJSIG-P2 (7/13);
NJSIG-BI (7/13); NJSIG-PGYM (07/08); NJSIG-CPKG (07/15); NJSIG EDE (7/14)

NJSIG-EDP (7/14)

NJSIG-B1 (7/15); NJSIG-B2 (7/00)

NJSIG-CR1000 (7/15); NJSIG-CR-DP (7/15); NJSIG-CR-SS (7/15); NJSIG-CR-DBE (7/15); NJSIG-CR-NI (7/15);
NJSIG-CR-AL (7/15); NJSIG-CR-FP (7/15); NJSIG-CR-BE (7/15); NJSIG-CR-VW (7/15); NJSIG-CR-SPE (7/15);
NJSIG-CR-MOC (7/15); NJSIG-CR-LS (7/15); NJSIG-CR-MEE (7/15); NJSIG-CR-ES (7/15); NJSIG-CR-IWC (7/15);
NJSIG-CBND1 (7/14)

NJSIG-G0 (7/11); NJSIG-G1 (7/13); NJSIG-G2 (7/14); NJSIG-G3 (7/15); NJSIG-G4 (7/09); NJSIG-GMP1 (7/15)

NJSIG-A1 (7/15); NJSIG-A2 (7/10); NJSIG-A3 (7/00); NJSIG-A4 (7/11); NJSIG-A5 (7/00); NJSIG-AGK1 (7/00);
NJSIG-A6 (7/11); NJSIG-A7 (7/13); NJSIG-A8 (7/07)

NJSIG-D-PKG (7/16)

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

NJSIG Executive Director

NJSIG-D-PKG (7/16)

Page 5 of 5



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
Schedule of Properties

Named Insured: Paterson Charter School for Science and Technology

Policy No.: 876AH-01

Policy Period: 07/01/2016 to 07/01/2017

EDP Value: \$550,000

Fine Arts Value: \$0

Business Income Value: \$20,000

Loss of Rents Value:

Extra Expense Value (\$50,000,000 -Pool OCC Limit):

Valuable Papers Value (\$10,000,000 -Pool OCC Limit):

Bldg #	Description	Address	Flood Zone	Territory	Protection Class	Square Feet	Effective Date	Building Value		Builders Risk Value		Total Insured Value
								Year Built	Expiration Date	Contents Value	Misc Prop Value	
1	Paterson Charter School of Science & Tech (Grades K-6)(Leased)	276 Wabash Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Non-Combustible	65000	07/01/2016	\$13,000,000	\$725,000			\$13,725,000
4	Location 2 - (Leased and Sublet to Paterson Arts & Science Charter School)	764 11th Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Masonry Non-Combustible	103000	07/01/2016	\$0	\$25,000			\$25,000
5	Administration Office (Leased)	669 River Drive Suite 140 Elmwood, NJ 07407		Inland Replacement Cost	Masonry	2664	07/01/2016	\$0	\$25,000			\$25,000



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
Schedule of Properties

Named Insured: Paterson Charter School for Science and Technology

Policy No.: 876AH-01

Policy Period: 07/01/2016 to 07/01/2017

Bldg #	Description	Address	Flood Zone	Territory	Protection Class	Square Feet	Effective Date	Expiration Date	Building Value		Builders Risk Value		Total Insured Value
									Contents Value	Misc Prop Value	Misc Prop Value	Misc Prop Value	
6	Paterson Charter School of Science & Tech (Grades 7-12)(Leased)	194-204 W. Railway Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Construction Type	87200	07/01/2016	07/01/2017	\$17,540,000	\$2,375,000			\$19,915,000
Policy Totals													
									\$30,540,000	\$3,150,000		\$0	\$33,690,000

New Jersey Schools Insurance Group
Schedule of Automobiles



Named Insured: Paterson Charter School for Science and Technology
Policy No.: 876AH-01
Policy Period: 07/01/2016 to 07/01/2017

Veh #	Sys ID	Year	Make	Model	Vin	Effective Date	Expiration Date	Cost New	ACV/RCV	AL	APD
1	1	2011	Ford	F150 Truck	E03404	07/01/2016	07/01/2017	\$26,523	Actual Cash Value	YES	YES

NOTICE:

This Schedule of Automobiles encompasses all vehicles that are covered during the 07/01/2016 to 07/01/2017 policy period. This is a scheduled vehicle policy, which means that every vehicle must be listed on this schedule in order for coverage to apply. If additional vehicles are purchased during the policy period you must notify your broker or NJSIG Member Services Representative immediately in order for coverage to apply. Also, each vehicle that is removed from service during the policy period must also be reported to your broker or NJSIG Member Services Representative immediately to ensure that the District promptly receives any return premium due.



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

Policy Number: E876AH

Premium: \$31,610.58

Named Insured:
Paterson Charter School for Science and Technology
196 W. Railway Avenue
Paterson, NJ 07503

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

Policy Term: July 1, 2016 to July 1, 2017 12:01 AM Eastern Standard Time

Coverage A

Limit of Liability

\$16,000,000 each policy period

Deductible

\$5,000 each claim

Coverage B

Limit of Liability

\$100,000 each claim

\$300,000 each policy period

Deductible

\$5,000 each claim

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

Retroactive Dates for Coverages A & B

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

Retro Date for Coverage A July 1, 1986

Retro Date for Coverage B July 1, 1986

Policy Forms: NJSIG-E1 (7/15)

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

NJSIG Executive Director

NJSIG-D-EO (7/15)

Page 1



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

Workers' Compensation and Employers' Liability Declarations Page

Policy Number: W876AH

Premium: \$62,470.31

Named Insured:

Paterson Charter School for Science and Technology
196 W. Railway Avenue
Paterson, NJ 07503

Agent:

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

Policy Term: 07/01/2016 to 07/01/2017 12:01 AM Eastern Standard Time

Estimated Professional & Clerical Payroll	\$8,166,550.00
Estimated Non-Professional Payroll	\$294,051.00
Experience Modifier	0.7435
NJSIG Discount	0.4560

The limits of our liability under Part One: Statutory

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

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

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

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

NJSIG Executive Director



New Jersey Schools Insurance Group
Educational Risk and Insurance Consortium - West
General Change Endorsement

Policy Number: P876AH-01

Premium: \$87.54

Named Insured:

Paterson Charter School for Science and Technology
196 W. Railway Avenue
Paterson, NJ 07503

Agent:

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

Policy Term: July 1, 2016 to July 1, 2017 12:01 AM Eastern Standard Time

It is hereby agreed and understood that the policy is amended as follows

The Bond listed below has been changed as follows:

Principal: Christopher Lessard

Position: Treasurer

Principal's Home Address: 595 Mountain View Avenue, Nazareth, PA 18064

Principal's Home County: Northampton

Bond Limit: Increased from \$180,000 to \$200,000

Deductible: \$1,000

Effective Date: 07/01/2016

Endorsement No.: 4

Date Issued: 07/14/2016

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


William M. Mayo
NJSIG Executive Director

New Jersey Schools Insurance Group

Public Official Bond

Number P876AH


Know all men by these present that we, Irfan Evcil of 275 Stooote St 6B , Hackensack , NJ 07601, in the state of New Jersey as principal and the New Jersey Schools Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Charter School for Science and Technology in the State of New Jersey, in the penal sum of \$192,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Board Secretary. The term for this bond begins July 1, 2016 and ends January 6, 2017, and is required to furnish the bond for the faithful performance of the duties of said position.

Now, therefore the conditions of this obligation are such that if the above bounden Principal shall (except as hereafter provided) faithfully perform the duties of his/her position during the said term, and shall pay over to the persons authorized by law to receive the same, all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in the case of his/her resignation or removal from his/her position shall turn over to his/her successors all records and property which have come into his/her hands, then this obligation shall be null and void.

Provided, however, that the above named Surety shall not be liable hereunder for any loss of public funds resulting from the insolvency of any bank or banks in which said funds are deposited, and if this provision shall be held void, this entire bond shall be void.

And provided further, that the Surety may cancel this bond at any time during the said term by giving to the Obligee a written notice of its desire to so cancel and at the expiration of thirty (30) days from the receipt of such notice by the Obligee the Surety shall be completely released as to all liability thereafter accruing. If this provision shall be held void, this entire bond shall be void.


William M. Mayo
NJSIG Executive Director

NJSIG-CBND1 (07/15)

New Jersey Schools Insurance Group

Public Official Bond

Number P876AH


Know all men by these present that we, Christopher Lessard of 595 Mountain View Avenue, Nazareth, PA 18064, in the state of New Jersey as principal and the New Jersey Schools Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Charter School for Science and Technology in the State of New Jersey, in the penal sum of \$200,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Treasurer. The term for this bond begins July 1, 2016 and ends July 1, 2017, and is required to furnish the bond for the faithful performance of the duties of said position.

Now, therefore the conditions of this obligation are such that if the above bounden Principal shall (except as hereafter provided) faithfully perform the duties of his/her position during the said term, and shall pay over to the persons authorized by law to receive the same, all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in the case of his/her resignation or removal from his/her position shall turn over to his/her successors all records and property which have come into his/her hands, then this obligation shall be null and void.

Provided, however, that the above named Surety shall not be liable hereunder for any loss of public funds resulting from the insolvency of any bank or banks in which said funds are deposited, and if this provision shall be held void, this entire bond shall be void.

And provided further, that the Surety may cancel this bond at any time during the said term by giving to the Obligee a written notice of its desire to so cancel and at the expiration of thirty (30) days from the receipt of such notice by the Obligee the Surety shall be completely released as to all liability thereafter accruing. If this provision shall be held void, this entire bond shall be void.


William M. Mayo
NJSIG Executive Director

NJSIG-CBND1 (07/15)

New Jersey Schools Insurance Group

Public Official Bond

Number P876AH


Know all men by these present that we, Ahmet Anar of 77 Ohlson Avenue, Nutley, NJ 07710, in the state of New Jersey as principal and the New Jersey Schools Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Charter School for Science and Technology in the State of New Jersey, in the penal sum of \$200,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Board Secretary. The term for this bond begins January 6, 2017 and ends July 1, 2017, and is required to furnish the bond for the faithful performance of the duties of said position.

Now, therefore the conditions of this obligation are such that if the above bounden Principal shall (except as hereafter provided) faithfully perform the duties of his/her position during the said term, and shall pay over to the persons authorized by law to receive the same, all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in the case of his/her resignation or removal from his/her position shall turn over to his/her successors all records and property which have come into his/her hands, then this obligation shall be null and void.

Provided, however, that the above named Surety shall not be liable hereunder for any loss of public funds resulting from the insolvency of any bank or banks in which said funds are deposited, and if this provision shall be held void, this entire bond shall be void.

And provided further, that the Surety may cancel this bond at any time during the said term by giving to the Obligee a written notice of its desire to so cancel and at the expiration of thirty (30) days from the receipt of such notice by the Obligee the Surety shall be completely released as to all liability thereafter accruing. If this provision shall be held void, this entire bond shall be void.


William M. Mayo
NJSIG Executive Director

NJSIG-CBND1 (07/15)



Endorsement

NJ School Boards Supplemental Indemnity Program

Effective Date: 07/01/2016
Policy Number: 9907-15-88
Policyholder: **New Jersey Schools Insurance Group**
Policy Period: 07/01/2016 to 07/01/2017
Name of Company: **Federal Insurance Company**
Issue Date: 10/25/2016

It is agreed that the Policy is amended as follows:

In consideration of the payment of premium of \$2,732.19 the following Member School Board has elected coverage under this Policy:

Paterson Charter School for Science and Technology

Effective Date: 07/01/2016

Plan Elimination Period selected: 7 days

All other terms and conditions of the policy remain unchanged.

A handwritten signature in black ink, appearing to be "P. ...", written over a horizontal line.

Authorized Representative

Berkley Life and Health Insurance Company

Urbandale, Iowa
Administrative Office: 2445 Kuser Road, Suite 201, Hamilton Square, NJ 08690
A Berkley Company
866.723.4452

ADMINISTRATIVE CHANGE RIDER

This Rider is attached to and made a part of Policy Number SIS L40490010 005 issued to Paterson Charter School for Science and Technology c/o The Berkley LH&A Insurance Program (the Policyholder).

Effective July 1, 2016 the Policy is renewed and **SCHEDULE OF BENEFITS** in the Policy is amended as follows:

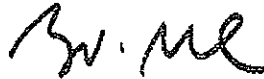
The **POLICY NUMBER** is changed to SIS L40490010 006 and the **PREMIUM** for the July 1, 2016 to July 1, 2017 policy period is \$13,195.00.

This Rider does not change any other provisions of the Policy.

Signed for the Company:



President



Secretary

SA

UNITED STATES FIRE INSURANCE COMPANY

5 Christopher Way, Eatontown, NJ 07724

AMENDATORY ENDORSEMENT

This Amendatory Endorsement is attached to and made a part of your Policy. The provisions of this Amendatory Endorsement are effective on the Effective Date of your Policy and will expire concurrently with your Policy, unless otherwise terminated. In consideration of issuance, the Policy is hereby amended and modified as follows:

Effective July 1, 2016, under Policy Number US424305 Paterson Charter School, the Policy term is amended to read as follows:

Policy Effective Date: July 1, 2016

Policy Expiration Date: July 1, 2017

Policy Number: US566691

Premium: \$4,335.00

\$1,000,000 Catastrophic Cash Maximum Benefit breakdown is deleted and replaced with the following:

\$1,000,000 Maximum Benefit

A lump-sum benefit of up to \$200,000 will be paid after said conditions continue for 6 consecutive months. Thereafter, a yearly benefit of \$40,000 will be paid for the lifetime of the Insured Person, not to exceed 20 years, so long as the Insured Person remains with Total Paralysis, in a Coma, or has incurred irreversible Brain Death, not to exceed the Maximum Benefit. Benefits will be paid on a monthly basis.

Except as stated herein, this Amendatory Endorsement does not change coverage in any other way and is subject to all provisions, terms, and conditions of the Policy. If there is a conflict between the Policy and this Amendatory Endorsement, the terms of this Amendatory Endorsement will govern.

Signed For UNITED STATES FIRE INSURANCE COMPANY By:



Marc J. Adees
Chairman and CEO

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

	2015	2016	2017	Source
	Audit	Audit	Audit	
Cash	1,486,552	852,516	1,108,194	Audit: Exhibit A-1
Current Assets (includes CASH)	1,950,988	1,117,091	1,376,014	Audit: Exhibit A-1
Total Assets	5,720,747	6,192,356	3,761,580	Audit: Exhibit A-1
Current Liabilities	552,190	250,913	224,209	Audit: Exhibit A-1
Total Liabilities	2,252,397	1,063,998	8,154,687	Audit: Exhibit A-1
Net Assets	(1,567,254)	(1,905,122)	(2,065,982)	Audit: Exhibit A-1
Total Revenue	17,691,359	17,820,830	18,161,673	Audit: Exhibit A-2
Total Expenses	16,763,969	18,158,698	18,322,533	Audit: Exhibit A-2
Change in Net Assets	927,390	(337,868)	(160,860)	Audit: Exhibit A-2
Depreciation Expense	260,131	734,804	775,410	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	1,047.60	1,062.90	1,068.00	DOE Enrollment Reports
March, 30th Budgeted Enrollment	1,067	1,067	1,068	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2015	2016	2017	3 YR CUM	Target
1a. Current Ratio	3.53	4.45	6.14	Source: Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	32.37	17.14	22.08	Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	98%	100%	100%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.* Default	N/A	N/A	N/A	Audit	not in default
Sustainability Indicators					
2a. Total Margin	5%	-2%	-1%	Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	0.39	0.17	2.17	Total Liabilities/Total Assets	<.9
2c.** Cash Flow	462,349	(634,036)	255,678	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
 ** 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash; 2015 = 2015 Cash - 2014 Cash

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

SINGLE AUDIT SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 206
Union, New Jersey 07083
908-686-3484
FAX – 908-686-6055
www.cpa-bc.com ♦ info@cpa-bc.com

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OFFINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR’S REPROT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2017, 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 4, 2017.

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 LLC
Certified Public Accountants
Public School Accountant



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

Union, New Jersey
December 4, 2017

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
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Union, New Jersey 07083
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**INDEPENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE AND
NEW JERSEY CIRCULAR 15-08-OMB**

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

Report on Compliance for Each Major Federal and State Program

We have audited the Paterson Charter School for Science and Technology’s (Charter School) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the New Jersey Circular 15-08-OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017. The Charter School’s major federal and state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State*

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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


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

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

Purpose of this Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountant


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

Union, New Jersey
December 4, 2017

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	FAIN	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2016	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2017 Deferred Revenue	Due to Grantor
U.S. Department of Education														
General Fund:														
Medical Assistance Program (SEM)	83.778	1705NJ5MAP	N/A	\$ 7,706	7/1/16	6/30/17	-	\$ 7,706	\$ (7,706)	-	-	\$ -	\$ -	-
Total General Fund														
Passed-through State Department of Education														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84.010A	S010A160030	NCLB - 7503 - 17	678,263	7/1/16	6/30/17	-	585,622	(678,263)	-	-	(62,641)	-	-
Title I Part A Carryover	84.010A	S010A150030	NCLB - 7503 - 16	704,204	7/1/15	6/30/16	(151,437)	1,113	(79,273)	-	-	-	-	-
Title I Part A	84.387A	S367A160029	NCLB - 7503 - 17	11,645	7/1/16	6/30/17	(151,437)	11,465	(11,645)	-	-	(180)	-	-
Total No Child Left Behind Cluster								767,200	(708,684)	-	-	(92,821)	-	-
Individuals with Disabilities Cluster:														
I.D.E.A. Part B Basic	84.027	H027A160100	IDEA - 7503 - 17	200,331	7/1/16	6/30/17	-	200,331	(200,331)	-	-	-	-	-
I.D.E.A. Preschool	84.173	H173A160114	IDEA - 7503 - 17	2,967	7/1/16	6/30/17	-	2,967	(2,967)	-	-	-	-	-
Total Individuals with Disabilities Cluster								203,298	(203,298)	-	-	-	-	-
Total Special Revenue Fund														
U.S. Department of Agriculture														
Passed-through State Department of Agriculture														
Enterprise Fund:														
Child Nutrition Program Cluster:														
School Breakfast Program	10.553	171NJ304N1099	N/A	200,225	7/1/16	6/30/17	-	187,343	(200,225)	-	-	(12,882)	-	-
School Breakfast Program	10.553	1616NJ304N1099	N/A	227,072	7/1/15	6/30/16	(17,337)	17,337	-	-	-	-	-	-
National School Lunch Program - Cash Assistance	10.555	171NJ304N1099	N/A	372,874	7/1/16	6/30/17	(30,948)	401,104	(427,471)	-	-	(26,367)	-	-
National School Lunch Program - Cash Assistance	10.555	1616NJ304N1099	N/A	392,228	7/1/15	6/30/16	(30,948)	30,948	-	-	-	-	-	-
National School Lunch Program - Commodities	10.555	171NJ304N1099	N/A	45,608	7/1/16	6/30/17	(48,285)	45,608	(45,608)	-	-	(39,249)	-	-
Total Child Nutrition Program Cluster								662,340	(673,304)	-	-	(92,249)	-	-
Other Enterprise Funds:														
Child and Adult Care Food Program	10.558	1616NJ304N1099	N/A	54,247	7/1/15	6/30/16	(3,760)	3,760	-	-	-	(1,735)	-	-
Fresh Fruits and Vegetable Program	10.562	171NJ304L1603	N/A	31,014	7/1/16	6/30/16	(4,322)	29,279	(31,014)	-	-	-	-	-
Fresh Fruits and Vegetable Program	10.562	1616NJ304L1603	N/A	4,322	7/1/15	6/30/16	(4,322)	4,322	-	-	-	(1,735)	-	-
Total Other Enterprise Funds								37,361	(31,014)	-	-	(1,735)	-	-
Total Enterprise Fund														
Sub-Total Federal Financial Awards														
				\$			\$	1,698,005	\$ (1,624,006)	\$	\$	\$ (133,805)	\$	\$

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016			Balance at June 30, 2017			MEMO				
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance		(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable
State Department of Education															
General Fund:															
State Aid-Public Cluster:															
Equalization Aid-State Share/Charter School Aid	17-495-034-5120-078	\$ 11,866,764	7/1/16	6/30/17	\$ -	\$ -	\$ 11,866,764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,866,764
Special Education Categorical Aid	17-495-034-5120-089	473,431	7/1/16	6/30/17	-	-	473,431	-	-	-	-	-	-	-	473,431
Security Aid	17-495-034-5120-084	325,050	7/1/16	6/30/17	-	-	325,050	-	-	-	-	-	-	-	325,050
Adjustment Aid	17-495-034-5120-085	464,580	7/1/16	6/30/17	-	-	452,832	(11,748)	-	-	-	-	-	-	464,580
Other State Aid	17-495-034-5120-078	12,519	7/1/16	6/30/17	-	-	12,519	-	-	-	-	-	-	-	12,519
Total State Aid-Public Cluster							13,130,596	(11,748)	-	-	-	-	-	-	13,142,344
Other General Funds:															
On-Behalf TPAF Post-Retirement Medical Contributions	17-495-034-5094-001	596,847	7/1/16	6/30/17	-	-	596,847	(596,847)	-	-	-	-	-	-	596,847
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	716,307	7/1/16	6/30/17	-	-	716,307	(716,307)	-	-	-	-	-	-	716,307
Reimbursed TPAF - Social Security	17-495-034-5094-003	460,424	7/1/16	6/30/17	-	-	460,424	(460,424)	-	-	-	-	-	-	460,424
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7,694	7/1/16	6/30/17	-	-	7,694	(7,694)	-	-	-	-	-	-	7,694
Total Other General Funds							1,781,272	(1,781,272)	-	-	-	-	-	-	1,781,272
Total General Fund							14,911,868	(14,923,616)	-	-	-	-	-	-	14,923,616
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program (State Share)	17-100-010-3350-023	7,407	7/1/16	6/30/17	(590)	-	6,952	(7,408)	-	-	-	-	-	-	7,408
National School Lunch Program (State Share)	16-100-010-3350-023	7,576	7/1/15	6/30/16	-	-	590	-	-	-	-	-	-	-	-
Total Enterprise Fund							7,542	(7,408)	-	-	-	-	-	-	7,408
Total State Financial Assistance							14,919,410	(14,931,024)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	14,931,024
State Financial Assistance Not Subject to Major Program Determination:															
General Fund:															
On-Behalf TPAF Post-Retirement Medical Contributions	17-495-034-5094-001	596,847	7/1/16	6/30/17	-	-	(996,847)	596,847	-	-	-	-	-	-	(596,847)
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	716,307	7/1/16	6/30/17	-	-	(716,307)	716,307	-	-	-	-	-	-	(716,307)
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7,694	7/1/16	6/30/17	-	-	(7,694)	7,694	-	-	-	-	-	-	(7,694)
Total On-Behalf TPAF Pension System Contributions							(1,320,848)	1,320,848	-	-	-	-	-	-	(1,320,848)
Total State Financial Assistance Subject to Major Program Determination							13,598,562	(13,610,176)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	13,610,176

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2017

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2017

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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:

	Federal	State	Total
General Fund	\$ 7,706	\$ 14,923,616	\$ 14,931,322
Special Revenue Fund	911,982		911,982
Food Service Fund	704,318	7,408	711,726
Total Awards & Financial Assistance	<u>\$ 1,624,006</u>	<u>\$ 14,931,024</u>	<u>\$ 16,555,030</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Paterson Charter School for Science and Technology has no loan balances outstanding at June 30, 2017.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amounts reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Contributions, and TPAF Long-Term Disability Insurance Contributions represent the amount paid by the State on behalf of the Charter School for the year ended June 30, 2017. 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, 2017.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2017

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in the Uniform Guidance; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the Charter School.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 678,263
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	11,645
Total	\$ 689,908

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ Yes X No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>84.010A</u>	<u>Title I Part A</u>
<u>84.027</u>	<u>INDIVIDUALS WITH DISABILITIES CLUSTER: IDEA Part B Basic</u>
<u>84.173</u>	<u>IDEA Preschool</u>
<u>10.553</u>	<u>CHILD NUTRITION PROGRAM CLUSTER: School Breakfast Program</u>
<u>10.555</u>	<u>National School Lunch Program – Cash Assistance</u>
<u>10.555</u>	<u>National School Lunch Program – Commodities</u>

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section II –Financial Statement Findings

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

Finding

There were no matters reported.

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

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

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Summary Schedule of Prior Year Audit Findings
And Questioned Costs As Prepared by Management
For the Fiscal Year Ended June 30, 2017

STATUS OF PRIOR-YEAR FINDINGS

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

Findings

There were no matters reported.