

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2017

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

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

***Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2017***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
JERSEY CITY, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Prepared by

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

And

Barre & Company LLC, CPAs

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INTRODUCTORY SECTION

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

November 30, 2017

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

Dear Board Members:

The comprehensive annual financial report of the University Academy Charter High School (the "Charter School") for the fiscal year ended June 30, 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 Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and*

- *State Aid.* Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

The Business Administrator/Board Secretary is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

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

The University Academy Charter High School provides a full range of educational services appropriate to grades 9 through 12. The charter school completed its twelfth year of operation at June 30, 2017 during which there was an average enrollment of approximately 424 students.

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

The following details the student enrollment of the Charter School.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	424	-0.47%
2015-2016	426	2.65%
2014-2015	415	0.48%
2013-2014	413	0.24%
2012-2013	412	-1.20%

REPORTING ENTITY AND ITS SERVICES (CONTINUED)

2. MAJOR INITIATIVES: Major initiatives for the 2016-2017 school year included continuing efforts to improve student performance. Improvements were made to the school's technological infrastructure. The school also achieved "Adequate Yearly Progress" via safe harbor on NCLB achievement benchmarking for both Mathematics and Language Arts. The school also instituted a tutoring program with the co-operation of NJ City University. Major improvements to the school made during 2016-2017 were for technology infrastructure so that the school was ready for the new IT testing that will be required by the State.

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

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

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

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

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

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

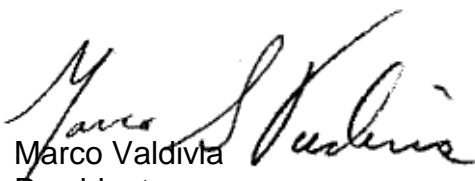
6. **RISK MANAGEMENT:** The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in J-20.

7. **OTHER INFORMATION:**

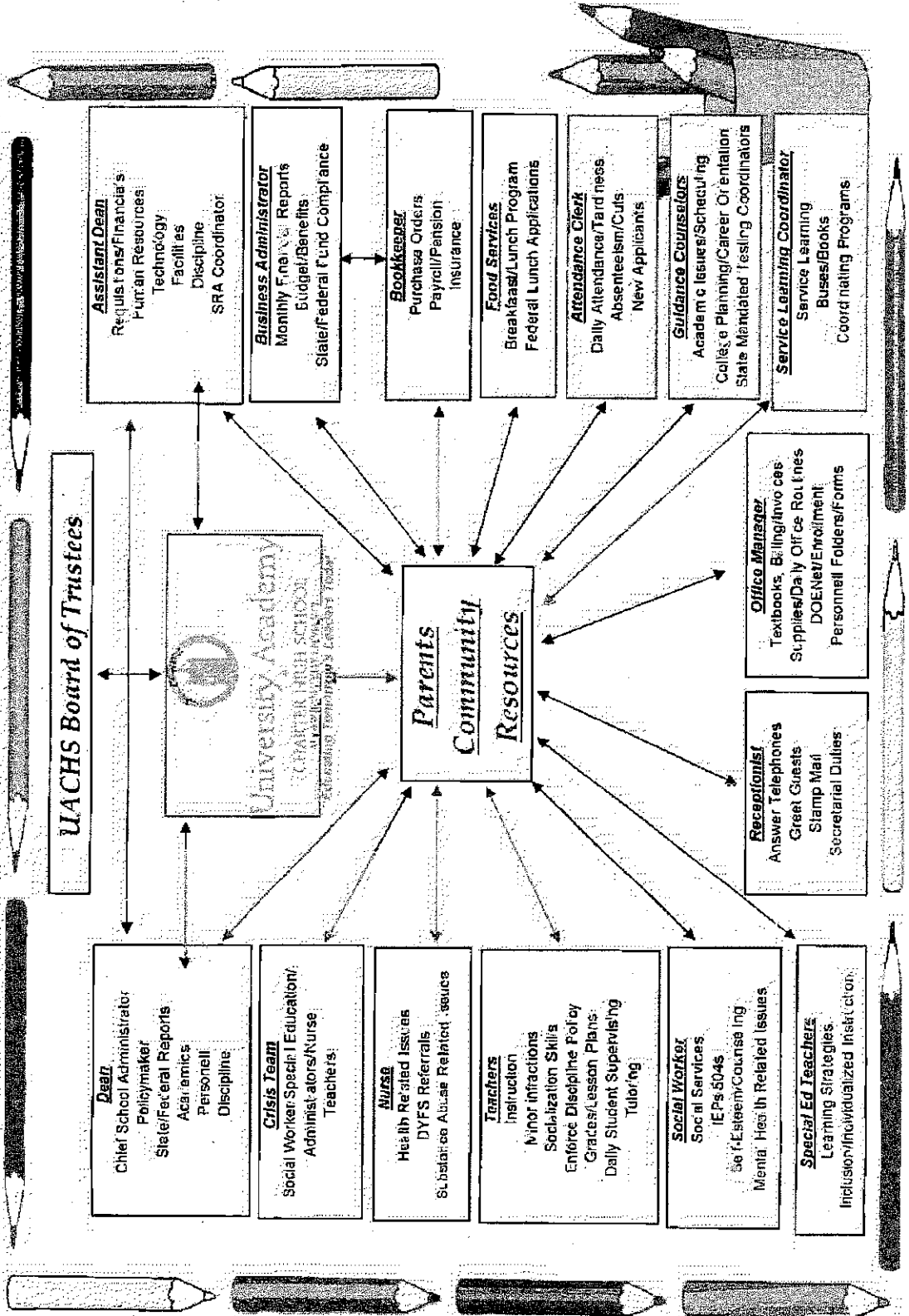
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPAs, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditor’s report on the basic financial statements and specific required supplemental information are included in the financial section of this report. The auditor’s reports, related specifically to the single audit, are included in the single audit section of this report.

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

Respectfully submitted,


Marco Valdivia
President

University Academy Charter H.S. Organizational Chart



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

**ROSTER OF OFFICIALS
JUNE 30, 2017**

MEMBERS OF THE BOARD OF TRUSTEES

Sergio Riquelme, President

Glenda Almeida, Treasurer

Jaclyn Lenez, Vice President

Ronald Hurley, Trustee

Carmen Torres Izquierdo, Secretary

Donna Brown, Trustee

Karinda Hill, Trustee

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

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Daniel T. Perlman, Esq.
Perlman & Associates, LLC
Attorneys at Law
36 Newark Street
Suite 202
Hoboken, NJ 07030

Official Depository

TD Bank North
1100 Lake Street
Ramsey, NJ 07446

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the University Academy Charter High School (Charter School), in the County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 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 in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the University Academy Charter High School, in the County of Hudson, State of New Jersey, as of June 30, 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 14, 74 and 81, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


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

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

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated November 30, 2017 on our consideration of the University Academy Charter High School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
November 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

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

The discussion and analysis of University Academy Charter High School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 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 \$7,206,199 in revenue or 95% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$403,539 or 5% percent of total revenues of \$7,609,738.
- ❖ The Charter School had \$8,053,260 in expenses; only \$403,539 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7,206,199 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$6,898,100 in revenues and \$7,177,576 in expenditures. The General Fund's fund balance decreased \$279,476 over 2016. This decrease was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

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

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

Governmental Funds

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

Proprietary Fund

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 35 of this report.

The Charter School as a Whole

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

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

The Charter School's combined net position were \$1,253,232 for 2017 and \$1,691,923 for 2016.

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

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

Governmental Activities

The Charter School's total revenues were \$7,476,421 for June 30, 2017, and \$6,992,430 for 2016, which includes \$239,045 for 2017 and \$229,501 for 2016 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$7,902,195 for 2017 and \$7,178,787 for 2016. Instruction comprises \$3,346,605 for 2017 and \$3,248,242 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. The net cost shows the financial burden that was placed on the Charter School's taxpayers by each of these functions.

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

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

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

Business-Type Activities

Revenues for the Charter School's business-type activities (Food Service) were comprised of federal and state reimbursements. These reimbursements for meals, including payments for free and reduced lunches and breakfast snack program, were \$113,507 for 2017.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$7,237,375 for 2017 and \$6,992,430 for 2016 and expenditures were \$7,516,851 for 2017 and \$7,060,964 for 2016. The net change in fund balance for fiscal years 2017 and 2016 was most significant in the general fund, a decrease of \$279,476 for 2017 and a decrease of \$68,534 for 2016.

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

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

The Charter School's Funds (

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, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	2016 Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Local Sources	\$ 1,403,915	\$ 1,500,270	19.40%	\$ (96,355)	-6.42%
State Sources	5,496,185	5,155,470	75.94%	340,715	6.61%
Federal Sources	337,275	336,690	4.66%	585	0.17%
Total	<u>\$ 7,237,375</u>	<u>\$ 6,992,430</u>	<u>100.00%</u>	<u>\$ 244,945</u>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2017, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	2016 Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Instruction	\$ 3,346,605	\$ 3,248,242	44.52%	\$ 98,363	3.03%
Administration	2,094,516	1,977,581	27.86%	116,935	5.91%
Support Services	1,971,833	1,773,456	26.23%	198,377	11.19%
Capital Outlay	103,897	61,685	1.38%	42,212	68.43%
Total	<u>\$ 7,516,851</u>	<u>\$ 7,060,964</u>	<u>99.99%</u>	<u>\$ 455,887</u>	

Changes in expenditures were the results of varying factors.

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

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

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

The Charter School had \$311,566 invested in building improvements and equipment at the end of the fiscal year 2017.

For the Future

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

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Nicholas Puzo, CPA, School Accountant at University Academy Charter High School, 275 West Side Avenue, Jersey City, New Jersey 07305-1597.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,279,316	\$ 10,410	\$ 2,289,726
Interfund Receivables	559,527	-	559,527
Receivables	298,343	5,105	303,448
Capital Assets, Net	311,566	68,799	380,365
Total Assets	3,448,752	84,314	3,533,066
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	512,007		512,007
Total Deferred Outflows of Resources	512,007	-	512,007
LIABILITIES:			
Interfund Payable	106,414	14,647	121,061
Payable to State Government	128,023	-	128,023
Payable to Federal Government	84,065	-	84,065
Accounts Payable	400,450	-	400,450
Deferred Rent Payable	411,372	-	411,372
Noncurrent Liabilities:			
Pension	1,495,783		1,495,783
Total Liabilities	2,626,107	14,647	2,640,754
DEFERRED INFLOWS OF RESOURCES:			
Pensions	151,087		151,087
Total Deferred Inflows of Resources	151,087	-	151,087
NET POSITION:			
Net Investments in Capital Assets/ Invested in Capital Assets, Net of Related Debt	311,576	115,127	426,703
Restricted for:			
Escrow	75,000	-	75,000
Unassigned	796,989	(45,460)	751,529
Total Net Position	\$ 1,183,565	\$ 69,667	\$ 1,253,232

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Statement of Activities
 For The Fiscal Year Ended June 30, 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	\$ 3,346,605	\$ 1,033,666	\$ -	\$ 270,222	\$ -	\$ (4,110,049)	\$ -	\$ (4,110,049)
Administration	944,463	193,886	-	-	-	(1,138,349)	-	(1,138,349)
Support Services	1,971,833	266,525	-	-	-	(2,238,358)	-	(2,238,358)
Capital Outlay	103,897	-	-	-	-	(103,897)	-	(103,897)
Unallocated Depreciation	41,320	-	-	-	-	(41,320)	-	(41,320)
Total Governmental Activities	6,408,118	\$ 1,494,077	\$ -	\$ 270,222	\$ -	\$ (7,631,973)	\$ -	\$ (7,631,973)
BUSINESS-TYPE ACTIVITIES:								
Food Service	151,065		19,810	113,507	-	-	(17,748)	(17,748)
Total Business-Type Activities	151,065		19,810	113,507	-	-	(17,748)	(17,748)
Total Primary Government	\$ 6,559,183		\$ 19,810	\$ 383,729	\$ -	\$ (7,631,973)	\$ (17,748)	\$ (7,649,721)
GENERAL REVENUES								
General Purposes			\$	1,371,124	\$	-	\$	1,371,124
Federal and State Aid Not Restricted				5,565,238		-		5,565,238
Investment Earnings				6,092		-		6,092
Miscellaneous Income				263,745		-		263,745
Total General Revenues				7,206,199		-		7,206,199
Change in Net Position				(425,774)		(17,748)		(443,522)
Net Position- Beginning of Year				1,609,339		87,415		1,696,754
Net Position - Ending				\$ 1,183,565		\$ 69,667		\$ 1,253,232

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,279,316	\$ -	\$ 2,279,316
Receivables:			
Interfund Receivables	559,527		559,527
Receivables From Other Governments	207,513	90,830	298,343
Total Assets	\$ 3,046,356	\$ 90,830	\$ 3,137,186
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ 15,584	\$ 90,830	\$ 106,414
Payable to State Government	128,023		128,023
Payable to Federal Government	84,065		84,065
Accounts Payable	36,636		36,636
Contracts Payable	363,814		363,814
Deferred Rent Payable	411,372		411,372
Total Liabilities	1,039,494	90,830	1,130,324
Fund Balances:			
Reserved For:			
Escrow	75,000		75,000
Unreserved:			
General Fund	1,931,862		1,931,862
Total Fund Balances	2,006,862	-	2,006,862
Total Liabilities and Fund Balances	\$ 3,046,356	\$ 90,830	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$644,543 and the accumulated depreciation is \$332,977.			311,566
Net pension liability of \$1,495,783, deferred inflows of resources of \$151,087 less deferred outflows of resources of \$512,007 related to pensions are not reported in the governmental funds			(1,134,863)
Net Position of Governmental Activities			\$ 1,183,565

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,371,124	\$ -	\$ 1,371,124
Interest on Investments	6,092		6,092
Miscellaneous	24,699	2,000	26,699
Total Local Sources	1,401,915	2,000	1,403,915
State Sources	5,496,185		5,496,185
Federal Sources		337,275	337,275
Total Revenues	6,898,100	339,275	7,237,375
EXPENDITURES:			
Instruction	3,027,339	319,266	3,346,605
Administration	2,094,516		2,094,516
Support Services	1,951,824	20,009	1,971,833
Capital Outlay	103,897		103,897
Total Expenditures	7,177,576	339,275	7,516,851
NET CHANGE IN FUND BALANCES	(279,476)	-	(279,476)
FUND BALANCES, JULY 1	2,286,338	-	2,286,338
FUND BALANCES, JUNE 30	\$ 2,006,862	\$ -	\$ 2,006,862

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

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

Total net change in fund balances - governmental fund (from B-2)	\$	(279,476)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (41,320)	
Capital Outlay	<u> -</u>	(41,320)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p>		
		<u>(104,978)</u>
Change in net position of governmental activities	\$	<u><u>(425,774)</u></u>

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

PROPRIETARY FUNDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Proprietary Fund
 Statement of Net Position
 June 30, 2017

Business-type Activities - Enterprise Fund	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 10,410
Intergovernmental Accounts Receivable:	
Federal	5,041
State	<u>64</u>
Total Current Assets	<u>15,515</u>
Noncurrent Assets:	
Buildings and Building Improvements	103,198
Accumulated Depreciation on Building and Building Improvements	(34,399)
Machinery and Equipment	28,984
Accumulated Depreciation on Machinery and Equipment	<u>(28,984)</u>
Total Noncurrent Assets	<u>68,799</u>
Total Assets	<u><u>\$ 84,314</u></u>
LIABILITIES AND NET POSITION:	
Liabilities:	
Current Liabilities:	
Interfund Accounts Payable	\$ 14,647
Accounts Payable	<u> </u>
Total Liabilities	<u>14,647</u>
Net Position:	
Net Investment in Capital Assets	115,127
Unrestricted	<u>(45,460)</u>
Total Net Position	<u>69,667</u>
Total Liabilities and Net Position	<u><u>\$ 84,314</u></u>

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2017

Business-type Activities - Enterprise Fund

	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 8,603
Daily Sales Non-reimbursable Program	11,207
	19,810
Total Operating Revenues	19,810
OPERATING EXPENSES:	
Salaries	50,954
Management Fees	15,000
Depreciation Expense	12,677
Cost of Sales- Reimbursable Programs	57,081
Miscellaneous Expenses	15,353
	151,065
Total Operating Expenses	151,065
OPERATING LOSS	(131,255)
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	1,571
Federal Source:	
National School Breakfast/Lunch/Snack Program	111,936
	113,507
Total Nonoperating Revenues	113,507
CHANGE IN NET POSITION	(17,748)
TOTAL NET POSITION, JULY 1	87,415
TOTAL NET POSITION, JUNE 30	\$ 69,667

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Proprietary Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2017

Business-type Activities - Enterprise Fund	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 20,780
Cash Payments to Suppliers and Employees	<u>(174,354)</u>
Net Cash Used In Operating Activities	<u>(153,574)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	<u>113,506</u>
Net Cash Provided By Noncapital Financing Activities	<u>113,506</u>
Net Increase In Cash And Cash Equivalents	(40,068)
Cash And Cash Equivalents, Beginning Of Year	<u>50,478</u>
Cash And Cash Equivalents, End Of Year	<u><u>\$ 10,410</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss Used for Operating Activities	\$ (131,255)
Depreciation	12,677
Change In Assets And Liabilities:	
Increase In Receivables From Other Governments	970
Decrease In Interfund Payable	(29,994)
Increase In Accounts Payable	<u>(5,972)</u>
Net Cash Used In Operating Activities	<u><u>\$ (153,574)</u></u>

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

FIDUCIARY FUNDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2017

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ 482,204
Interfund Accounts Receivable	15,964
	498,168
Total Assets	\$ 498,168
LIABILITIES:	
Interfund Accounts Payable	\$ 454,430
Accounts Payable	26,723
Due to Student Groups	17,015
	498,168
Total Liabilities	\$ 498,168

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

NOTES TO THE FINANCIAL STATEMENTS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which the Board of Trustees exercises operating control.

B. Basis of Presentation

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

Charter School-Wide Statements: The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of net position presents the financial condition of the governmental of the Charter School at fiscal year end. The statement of activities presents a comparison for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The Charter School reports the following governmental funds:

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Continued)

Jersey Aid, Charter School taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

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

The Charter School reports the following *proprietary* fund:

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

C. Basis of Accounting – Measurement Focus

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

Charter School-Wide Financial Statements: The Charter School-Wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures The Charter School is

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus (Continued)

entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. *Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Budgets/Budgetary Control

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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

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

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:

	2017	2016
Total Revenues & Expenditures (Budgetary Basis)	\$ 339,275	\$ 336,690
Adjustments:		
Less Encumbrances at June 30, 2017	-	-
Plus Encumbrances at June 30, 2016	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 339,275	\$ 336,690

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Encumbrances Accounting

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

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

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

F. Assets, Liabilities, and Equity

Interfund Transactions:

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

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

Inventories:

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

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

Compensated Absences:

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Deferred Revenue:

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

Accrued Liabilities and Long-Term Obligations:

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

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Reserves:

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Non-exchange Transactions:

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

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

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

Operating Revenues and Expenses:

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

Accrued Salaries and Wages:

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Pensions

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

H. Impact of Recently Issued Accounting Principles

During fiscal year 2017, the District adopted the following GASB statements as required:

GASB No. 73, Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB No.77, Tax Abatement Disclosures. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

GASB No. 80, Blending Requirements for Certain Component Units- An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. The Financial Reporting Entity, as amended.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

GASB No. 82, *Pension Issues -An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pension, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, 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.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the 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.

GASB 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.

GASB 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)).

GASB 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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

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 deceased in substance.

GASB 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.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

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

Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

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

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

Investments

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

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

Investments (Continued)

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

	General Fund	Proprietary Fund	Payroll Agency	Net Payroll	Student Activity	Total
Operating Account	\$ 2,279,316	\$ 10,410	\$ 10,759	\$ 454,430	\$ 17,015	\$ 2,771,930

The carrying amount of the Board’s cash and cash equivalents at June 30, 2017 was \$2,771,930 and the bank balance was \$2,869,060. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

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

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

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

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

As of June 30, 2017, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions” as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

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

New Jersey Cash Management Fund

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

As of June 30, 2017, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

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

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 298,343	\$ 298,407
Federal Aid	-	5,041
Gross Receivables	298,343	303,448
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 298,343</u>	<u>\$ 303,448</u>

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 559,527	\$ 15,584
Special Revenue Fund		90,830
Proprietary Fund		14,647
Fiduciary Fund	15,964	454,430
Total	<u>\$ 575,491</u>	<u>\$ 575,491</u>

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Additions (Adjustments)	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Building Improvements	\$ 497,778	\$ -	\$ -	\$ 497,778
Equipment	146,765	-	-	146,765
Totals at Historical Cost	644,543	-	-	644,543
Less Accumulated Depreciation For:				
Building Improvements	(202,431)	(16,592)	-	(219,023)
Equipment	(89,226)	(24,728)	-	(113,954)
Total Accumulated Depreciation	(291,657)	(41,320)	-	(332,977)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	352,886	(41,320)	-	311,566
Government Activity Capital Assets, Net	<u>\$ 352,886</u>	<u>\$ (41,320)</u>	<u>\$ -</u>	<u>\$ 311,566</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	28,984	-	-	28,984
Less Accumulated Depreciation	(23,187)	(5,797)	-	(28,984)
Enterprise Fund Capital Assets, Net	<u>\$ 5,797</u>	<u>\$ (5,797)</u>	<u>\$ -</u>	<u>\$ -</u>

In January 11, 2001, the New Jersey State Department of Education announced that effective July 1, 2001, the capitalization threshold used by Charter Schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 5: CAPITAL ASSETS (CONTINUED)

where: (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

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

NOTE 6: RENTAL LEASE

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 6: RENTAL LEASE (CONTINUED)

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

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

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

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

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

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

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

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

Deferred rent at June 30, 2017 was \$486,372.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

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

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred Outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ration of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2015 through June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

**Allocation Methodology and Reconciliation to Financial Statements
(Continued)**

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

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 contributions 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 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 the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$46,210 for fiscal year 2017.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

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 \$1,495,783 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 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. At June 30, 2016, the Charter School's proportion was 0.00505040%, which was a decrease of -0.00092600% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2016, the Charter School recognized pension expense of \$52,484. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 309,846	\$ -
Difference Between Expected and Actual Experience	27,817	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	57,036	-
Change in Proportion	123,582	150,907
	\$ 518,281	\$ 150,907

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

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

Fiscal Year Ending June 30,	Total
2017	\$ 88,863
2018	88,863
2019	102,951
2020	86,493
2021	27,529
	\$ 394,699

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuations as of July 1, 2015. 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 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and 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 Combines Healthy male and Female Mortality Tables (set back 3 years for males and set forward 1 year for females).

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions

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 like 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.66% 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 future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic 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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	5.00%	0.87%
Core Bonds	1.50%	1.74%
Intermediate-Term Bonds	8.00%	1.79%
Mortgage	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 US	5.00%	-0.25%
REIT	5.25%	5.63%

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investment 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 rates and that contributions from employers will be made based on the contributions 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 investments was applied to projected benefit payment through 2034 and the municipal bond rate was applied to projected benefit payments after the date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's proportionate share of the Net Pension Liability	\$ 1,832,907	\$ 1,495,783	\$ 1,217,457

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

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

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the Net Pension Liability	\$ 16,667,422	\$ 1,341,582	\$ 1,068,400

Pension Plan Fiduciary Net Position

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

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Benefit Provided (Continued)

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

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

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. Employer and nonemployer allocation percentages have been rounded for presentation purposes,

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Allocation Methodology (Continued)

therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contributions 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 actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific finance amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contribution was less than the actuarial determined amount.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2017, the State of New Jersey contributed \$22,876 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$196,506.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

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

As of June 30, 2017, the State's proportionate share of the net pension liability associated with the Charter School was \$19,410,352. 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 1, 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. At June 30, 2016, Charter School's proportion was 0.0246743%, which was a decrease of -0.0025129% from its proportion measured as of June 30, 2015.

Charter School's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with the Charter School		19,410,352
Total	\$	19,410,352

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the Charter School in the amount of \$196,506 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

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

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

The \$17,414,701,002 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$134,532,594 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	<u>4,098,702,110</u>
	<u>\$ 17,280,168,408</u>

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

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

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, 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 which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

<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%
U.S. Equity Markets	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equities	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- Multi Strategy	5.00%	3.70%
Hedge Funds- Equity Hedge	3.75%	4.72%
Hedge Funds- Distressed	3.75%	3.49%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investment 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 made based on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Discount Rate – TPAF (Continued)

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 after the date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

For the Fiscal Year Ended June 30, 2016			
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Charter School's proportionate share of the Net Pension Liability	\$ 23,287,126	\$ 19,410,352	\$ 16,406,970

For the Fiscal Year Ended June 30, 2015			
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Charter School's proportionate share of the Net Pension Liability	\$ 20,542,633	\$ 17,279,610	\$ 14,478,443

Pension Plan Fiduciary Net Position – TPAF

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 7: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP)

contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

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

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

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2017. There were no employee contributions to DCRP for the fiscal year ended June 30, 2017.

NOTE 8: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

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 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/pdf/financial/2015divisioncombined.pdf>

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes To Basic Financial Statements
June 30, 2017

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$2,006,862 General Fund balance in the fund financial statements at June 30, 2017, \$0 is reserved for encumbrances; \$75,000 is reserved for the escrow account and \$1,931,862 is unreserved and undesignated.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 30, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 1,373,000	\$ -	\$ 1,373,000	\$ 1,371,124	\$ (1,876)
Total Local Levy Budget	1,373,000	-	1,373,000	1,371,124	(1,876)
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	3,650,000	-	3,650,000	3,650,573	573
Special Education Aid	270,000	-	270,000	270,222	222
State Non-Public Aid	675,000	-	675,000	677,131	2,131
District Security Aid	150,000	-	150,000	150,119	119
Total Categorical Aid	4,745,000	-	4,745,000	4,748,045	3,045
Revenues From Other Sources:					
Interest Income	6,000	-	6,000	6,092	92
Donations and Contributions	-	-	-	-	
Miscellaneous Revenue	261,500	-	261,500	24,699	(236,801)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	239,045	239,045
On Behalf TPAF Pension Aid (Non-Budgeted)	-	-	-	277,284	277,284
On Behalf TPAF Post Retirement Medical Aid (Non-Budgeted)				231,042	231,042
On Behalf TPAF Long-Term Disability Aid (Non-Budgeted)				769	769
Total Revenues From Other Sources	267,500	-	267,500	778,931	511,431
Total Revenues	6,385,500	-	6,385,500	6,898,100	512,600
EXPENDITURES:					
Instruction:					
Salaries of Teachers	2,576,890	-	2,576,890	2,576,043	847
Other Salaries for Instruction	161,000	-	161,000	160,398	602
Purchased Prof/Tech Services	129,000	-	129,000	128,747	253
Other Purchased Services	47,000	-	47,000	46,956	44
General Supplies	51,000	-	51,000	50,761	239
Textbooks	22,500	-	22,500	22,014	486
Miscellaneous	42,500	-	42,500	42,420	80
Total Instruction	3,029,890	-	3,029,890	3,027,339	2,551
Administration:					
Salaries - General Administration	384,500	-	384,500	384,131	369
Salaries of Secretarial/Clerical Assistants	129,500	-	129,500	129,147	353
Total Benefits Cost	978,000	-	978,000	691,203	286,797
Purchases Prof/Tech Services	110,000	-	110,000	109,495	505
Communications/Telephone	8,750	-	8,750	8,544	206
Supplies and Materials	12,000	-	12,000	11,605	395
Miscellaneous Expenses	12,500	-	12,500	12,251	249
Total Administration	1,635,250	-	1,635,250	1,346,376	288,874

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 706,000	\$ -	\$ 706,000	\$ 705,577	\$ 423
Purchased Prof/Tech Services	65,000	-	65,000	90,019	(25,019)
Rental of Land and Buildings	785,300	-	785,300	856,758	(71,458)
Other Purchased Services	92,500	-	92,500	116,189	(23,689)
Transportation-Other Than To/From School	47,500	-	47,500	70,137	(22,637)
Insurance for Property, Liability and Fidelity	86,500	-	86,500	86,792	(292)
Supplies and Materials	15,500	-	15,500	15,203	297
Miscellaneous Expenses	11,500	-	11,500	11,149	351
Total Support Services	1,809,800	-	1,809,800	1,951,824	(142,024)
Capital Outlay:					
Instructional Equipment	79,000	-	79,000	78,871	129
Non-Instructional Equipment	14,500	-	14,500	21,087	(6,587)
Miscellaneous Expenses	4,000	-	4,000	3,939	61
Total Capital Outlay	97,500	-	97,500	103,897	(6,397)
Reimbursed TPAF Social Security					
Contributions (Non-Budgeted)	-	-	-	239,045	(239,045)
On Behalf Reimbursed TPAF Pension Aid (Non-Budgeted)	-	-	-	277,284	(277,284)
On Behalf Reimbursed TPAF Post Retirement Contributions (Non-Budgeted)				231,042	(231,042)
On Behalf Reimbursed TPAF Long-Term Disability Contributions (Non-Budgeted)				769	(769)
Total Expenditures	6,572,440	-	6,572,440	7,177,576	(605,136)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(186,940)	-	(186,940)	(279,476)	(92,536)
FUND BALANCE, JULY 1	2,286,338	-	2,286,338	2,286,338	-
FUND BALANCE, JUNE 30	\$ 2,099,398	\$ -	\$ 2,099,398	\$ 2,006,862	\$ (92,536)
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 2,099,398	\$ -	\$ 2,099,398	\$ 2,006,862	\$ (92,536)
Total	\$ 2,099,398	\$ -	\$ 2,099,398	\$ 2,006,862	\$ (92,536)

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 337,275	\$ -	\$ 337,275	\$ 337,275	\$ -
Total Revenues	339,275	-	339,275	339,275	-
EXPENDITURES:					
Instruction:					
Salaries	90,739	-	90,739	90,739	-
Other Purchased Services	17,801	-	17,801	17,801	-
General Supplies	208,726	-	208,726	208,726	-
Other Objects	2,000	-	2,000	2,000	-
Total Instruction	319,266	-	319,266	319,266	-
Support Services:					
Personal Services - Employee Benefits	20,009	-	20,009	20,009	-
Total Support Services	20,009	-	20,009	20,009	-
Total Expenditures	339,275	-	339,275	339,275	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2017

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/Inflows of Resources			
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 6,898,100		[C-2] \$ 339,275
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized			-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>6,898,100</u>		[B-2] \$ <u>339,275</u>
 Uses/Outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 7,177,576		[C-2] \$ 339,275
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.			-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>7,177,576</u>		[B-2] \$ <u>339,275</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Charter School's proportion of the net pension liability	0.00494267%	0.00519502%	0.005976398%	0.005050396%
Charter School's proportionate share of the net pension liability	\$ 944,642	\$ 944,642	\$ 1,341,582	\$ 1,495,783
Charter School's covered employees payroll	\$ 922,433	\$ 1,042,993	\$ 377,100	\$ 415,847
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	102%	91%	356%	360%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%	47.93%

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Contractually required contribution	\$ 37,242	\$ 42,827	\$ 52,484	\$ 52,484
Contributions in relation to the contractually required contribution	(37,242)	(42,827)	(52,484)	(46,210)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ 6,274
Charter School's covered employee payroll	\$ 922,433	\$ 1,042,993	\$ 377,100	\$ 415,847
Contributions as a percentage of covered employee payroll	4.04%	4.11%	13.92%	12.62%

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
 SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER'S PENSION AND ANNUITY FUND
 LAST 4 FISCAL YEARS
 UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
State's proportion of the net pension liability attributable of the Charter School	0.0229637%	0.0234783%	0.02718721%	0.02467427%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 11,605,693	\$ 12,548,369	\$ 17,183,477	\$ 19,410,352
Charter School's covered employees payroll	\$ 2,757,193	\$ 2,898,099	\$ 3,010,989	\$ 3,141,802
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	420.92%	432.99%	570.69%	617.81%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%	22.33%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2017

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67.

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2017

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

SECTION E – SPECIAL REVENUE FUND DETAIL STATEMENTS

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	Local Grant	NCLB Title I	I.D.E.A. Part B	NCLB Title II	Grand Total
REVENUE SOURCES:					
Local	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000
Federal		232,343	103,627	1,305	337,275
Total Revenues	2,000	232,343	103,627	1,305	339,275
EXPENDITURES:					
Instruction:					
Salaries		20,000	70,739		90,739
Other Purchased Services		2,000	14,496	1,305	17,801
General Supplies		208,726			208,726
Other Objects	2,000			-	2,000
Total Instruction	2,000	230,726	85,235	1,305	319,266
Support Services:					
Personal Services - Employee Benefits		1,617	18,392		20,009
Total Support Services	-	1,617	18,392	-	20,009
Total Expenditures	2,000	232,343	103,627	1,305	339,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUND
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENTS**

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

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

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

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2017

	Payroll Agency	Net Payroll	Student Activities	Total Agency Fund
ASSETS:				
Cash and Cash Equivalents	\$ 10,759	\$ 454,430	\$ 17,015	\$ 482,204
Interfund Accounts Receivable	15,964			15,964
Total Assets	\$ 26,723	\$ 454,430	\$ 17,015	\$ 498,168
LIABILITIES:				
Interfund Accounts Payable	\$ -	\$ 454,430	\$ -	\$ 454,430
Accounts Payable	26,723	-	-	26,723
Due to Student Groups			17,015	17,015
Total Liabilities	\$ 26,723	\$ 454,430	\$ 17,015	\$ 498,168

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
UACHS Student Activity Club	\$ 24,382	\$ -	\$ 10,480	\$ 13,902
UACHS Journalism Club	409		344	65
UACHS Student Track Club	102	2,946	-	3,048
Total	\$ 24,893	\$ 2,946	\$ 10,824	\$ 17,015

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
 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	\$ 10,756	\$ 3	\$ -	\$ 10,759
Interfund Accounts Receivable	15,967		3	15,964
Total Assets	\$ 26,723	\$ 3	\$ 3	\$ 26,723
LIABILITIES:				
Accounts Payable	\$ 26,723	\$ 3	\$ 3	\$ 26,723
Total Liabilities	\$ 26,723	\$ 3	\$ 3	\$ 26,723

STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity (Not Applicable)

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

Debt Capacity (Not Applicable)

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

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

	Fiscal Year Ending June 30,									
	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 Restricted	\$ 311,576	\$ 352,886	\$ 395,131	\$ 345,123	\$ 345,123	\$ 361,716	\$ 377,429	\$ 395,564	\$ 413,699	\$ 432,716
Designated for Deferred Rent Expense Unrestricted	75,000	75,000	75,000	-	-	-	-	-	-	640,118
	796,989	1,176,622	1,320,734	2,445,733	2,108,792	1,754,207	1,603,227	1,615,199	832,883	301,347
Total Governmental Activities Net Assets/Position	\$ 1,183,565	\$ 1,604,508	\$ 1,790,865	\$ 2,790,856	\$ 2,453,915	\$ 2,115,923	\$ 1,980,656	\$ 2,010,763	\$ 1,246,582	\$ 1,374,181
Business-Type Activities										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt Restricted	\$ 115,127	\$ 115,127	\$ 115,127	\$ 119,505	\$ 119,505	\$ 200,000	\$ -	\$ -	\$ -	\$ -
Designated for Deferred Rent Expense Unrestricted	(45,460)	(27,712)	(6,775)	(4,378)	31,734	1,029	-	(741)	-	-
Total Business-Type Activities Net Assets/Position	\$ 69,667	\$ 87,415	\$ 108,352	\$ 115,127	\$ 151,239	\$ 201,029	\$ -	\$ (741)	\$ -	\$ -
Charter School-wide										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt Restricted	\$ 426,703	\$ 468,013	\$ 510,258	\$ 464,628	\$ 464,628	\$ 561,716	\$ 377,429	\$ 395,564	\$ 413,699	\$ 432,716
Designated for Deferred Rent Expense Unrestricted	75,000	75,000	75,000	-	-	-	-	-	-	640,118
	751,529	1,148,910	1,313,959	2,441,355	2,140,526	1,755,236	1,603,227	1,614,458	832,883	301,347
Total Charter School-wide Net Assets/Position	\$ 1,253,232	\$ 1,691,923	\$ 1,899,217	\$ 2,905,983	\$ 2,605,154	\$ 2,316,952	\$ 1,980,656	\$ 2,010,022	\$ 1,246,582	\$ 1,374,181

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

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

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
Instruction	\$ 4,380,271	\$ 4,176,562	\$ 4,363,774	\$ 3,916,849	\$ 3,773,299	\$ 3,669,209	\$ 3,418,700	\$ 3,155,142	\$ 3,088,583	\$ 2,857,721
Administration	1,138,349	917,755	889,442	884,556	810,027	912,091	1,038,737	704,588	670,355	680,663
Support Services	2,238,388	1,981,465	1,789,283	1,618,869	1,499,016	1,517,900	1,351,401	1,554,545	1,429,141	1,403,911
Capital Outlay	103,897	61,685	89,238	55,552	160,230	35,288	4,896	37,559	57,777	117,818
Unallocated Depreciation	41,320	41,320	16,592	16,592	16,593	15,713	18,135	18,135	19,017	19,017
Total Governmental Activities Expenses	7,902,195	7,178,787	7,148,329	6,492,418	6,259,165	6,150,201	5,831,869	5,469,969	5,264,873	5,079,130
Business-Type Activities:										
Food Service	151,065	158,508	131,389	164,902	178,865	34,894	33,543	45,715	39,431	-
Total Business-Type Activities Expenses	151,065	158,508	131,389	164,902	178,865	34,894	33,543	45,715	39,431	-
Total Charter School Expenses	\$ 8,053,260	\$ 7,337,295	\$ 7,279,718	\$ 6,657,320	\$ 6,438,030	\$ 6,185,095	\$ 5,865,412	\$ 5,515,684	\$ 5,304,304	\$ 5,079,130
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 270,222	\$ 309,463	\$ 304,504	\$ 310,003	\$ 275,974	\$ 220,709	\$ 223,865	\$ 207,984	\$ 167,952	\$ 138,842
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	270,222	309,463	304,504	310,003	275,974	220,709	223,865	207,984	167,952	138,842
Business-Type Activities:										
Charges for Services	19,810	16,669	19,488	24,744	38,727	1,174	-	447	-	-
Operating Grants and Contributions	113,507	120,902	105,126	104,046	90,348	34,689	15,866	22,032	20,367	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	133,317	137,571	124,614	128,790	129,075	35,863	15,866	22,479	20,367	-
Total Charter School Program Revenues	\$ 403,539	\$ 447,024	\$ 429,118	\$ 438,793	\$ 405,049	\$ 256,572	\$ 239,731	\$ 230,463	\$ 188,319	\$ 138,842
Net (Expense)/Revenue										
Governmental Activities	\$ (7,631,973)	\$ (6,869,334)	\$ (6,843,825)	\$ (6,182,415)	\$ (5,983,191)	\$ (5,929,492)	\$ (5,608,004)	\$ (5,261,985)	\$ (5,096,921)	\$ (4,940,288)
Business-Type Activities	(17,748)	(20,937)	(6,775)	(36,112)	(49,790)	1,029	(17,677)	(23,236)	(19,064)	-
Total Charter School-wide Net Expense	\$ (7,649,721)	\$ (6,890,271)	\$ (6,850,600)	\$ (6,218,527)	\$ (6,032,981)	\$ (5,928,463)	\$ (5,625,681)	\$ (5,285,221)	\$ (5,115,985)	\$ (4,940,288)
General Revenues and Other Changes in Net Assets/Position										
Governmental Activities:										
General Purposes	\$ 1,371,124	\$ 1,484,744	\$ 1,453,600	\$ 1,468,750	\$ 1,404,021	\$ 1,328,699	\$ 1,136,229	\$ 1,139,960	\$ 1,015,694	\$ 1,405,973
Capital Projects	-	-	-	-	-	-	-	-	-	-
Federal and State Aid Not Restricted	5,565,238	5,182,707	5,086,696	5,018,191	4,906,065	4,922,515	4,432,845	4,870,364	4,554,387	3,402,278
Investment Earnings	6,092	4,261	3,547	3,165	3,403	4,056	5,677	5,174	9,240	35,456
Tuition Revenue	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	263,745	11,265	220,709	29,250	7,694	9,489	3,146	10,668	5,874	20,609
Transfers	-	-	-	-	-	(200,000)	-	-	-	-
Total Governmental Activities	7,206,199	6,682,977	6,744,552	6,519,356	6,321,183	6,084,759	5,577,897	6,026,166	5,585,195	4,864,316
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	200,000	18,418	22,495	19,064	-
Total Business-Type Activities	-	-	-	-	-	200,000	18,418	22,495	19,064	-
Total Charter School-wide	\$ 7,206,199	\$ 6,682,977	\$ 6,744,552	\$ 6,519,356	\$ 6,321,183	\$ 6,284,759	\$ 5,596,315	\$ 6,048,661	\$ 5,604,259	\$ 4,864,316
Change in Net Assets/Position										
Governmental Activities	\$ (425,774)	\$ (186,357)	\$ (99,273)	\$ 336,941	\$ 337,992	\$ 135,267	\$ (30,107)	\$ 764,181	\$ 488,274	\$ (75,972)
Business-Type Activities	(17,748)	(20,937)	(6,775)	(36,112)	(49,790)	201,029	741	(741)	-	-
Total Charter School	\$ (443,522)	\$ (207,294)	\$ (106,048)	\$ 300,829	\$ 288,202	\$ 336,296	\$ (29,366)	\$ 763,440	\$ 488,274	\$ (75,972)

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

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,642	\$ -	\$ 4,425	\$ -	\$ -
Designated for Deferred Rent Expense	75,000	75,000	75,000	-	-	-	-	-	-	640,118
Unreserved	1,931,862	2,211,338	2,279,872	2,395,725	2,108,792	1,745,565	1,603,227	1,610,774	832,883	301,347
Total General Fund	\$ 2,006,862	\$ 2,286,338	\$ 2,354,872	\$ 2,395,725	\$ 2,108,792	\$ 1,754,207	\$ 1,603,227	\$ 1,615,199	\$ 832,883	\$ 941,465

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

Fiscal Year Ending June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local Sources:										
Local Tax Levy	\$ 1,371,124	\$ 1,484,744	\$ 1,453,600	\$ 1,468,750	\$ 1,404,021	\$ 1,328,699	\$ 1,136,229	\$ 1,139,960	\$ 1,015,694	\$ 1,405,973
Interest In Investments	6,092	4,261	3,547	3,165	3,403	4,056	5,677	5,174	9,240	35,456
Miscellaneous	26,699	11,265	220,709	29,250	7,694	9,489	3,146	10,668	5,874	20,609
State Sources	5,496,185	5,155,470	5,034,015	4,992,065	4,926,919	4,811,413	4,219,049	4,598,366	4,408,513	3,200,770
Federal Sources	337,275	336,690	337,185	336,129	255,120	331,811	438,561	479,982	313,826	340,350
Total Revenues	7,237,375	6,992,430	7,049,056	6,829,359	6,597,157	6,485,468	5,802,662	6,234,150	5,753,147	5,003,158
Expenditures:										
Instruction	3,346,605	3,248,242	3,214,611	3,030,450	2,996,498	2,865,146	2,757,951	2,555,634	2,504,085	2,338,539
Administration	2,094,516	1,977,581	2,180,402	1,881,792	1,699,920	1,854,472	1,805,849	1,439,651	1,383,389	1,326,635
Support Services	1,971,833	1,773,456	1,565,263	1,491,383	1,385,924	1,579,582	1,245,938	1,418,990	1,300,605	1,277,121
Capital Outlay	103,897	61,685	129,633	138,801	160,230	35,288	4,896	37,559	57,777	117,818
Total Expenditures	7,516,851	7,060,964	7,089,909	6,542,426	6,242,572	6,334,488	5,814,634	5,451,834	5,245,856	5,060,113
Net Change in Fund Balance	\$ (279,476)	\$ (68,534)	\$ (40,853)	\$ 286,933	\$ 354,585	\$ 150,980	\$ (11,972)	\$ 782,316	\$ 507,291	\$ (56,955)

Source: Charter School records

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

Fiscal Year Ending June 30,	Donations	Miscellaneous Revenue	Annual Total
2017	\$ -	\$ 24,699	\$ 24,699
2016	4,094	7,171	11,265
2015	2,827		2,827
2014	-	29,250	29,250
2013	-	7,694	7,694
2012	-	9,489	9,489
2011	-	3,146	3,146
2010	-	10,668	10,668
2009	-	5,874	5,874
2008	-	20,609	20,609

Source: Charter School records

DEMOGRAPHIC AND ECONOMIC INFORMATION

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2017	N/A	N/A	N/A	N/A
2016	248,928	N/A	N/A	9.7%
2015	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A
2013	247,597	N/A	\$30,490	11.6%
2012	241,800	\$37,862	N/A	11.5%
2011	241,700	\$50,843	N/A	9.30%
2010	242,389	\$48,543	N/A	5.80%
2009	241,791	N/A	N/A	4.60%
2008	N/A	\$45,223	N/A	5.20%

Source:

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

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

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Principal Employers
Last Year and Ten Years Ago

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

OPERATING INFORMATION

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

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	42	39	43	42	41	41	39	39	39	37
Administrative	7	6	6	6	6	6	5	5	4	4
Support Services	17	13	13	13	12	11	10	8	11	11
Clerical	6	-	6	6	6	6	5	5	-	-
Total	72	58	68	67	65	64	59	57	54	52

Source: Charter School Personnel Records

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	Senior High School				
2017	424	\$ 7,412,954	\$ 17,483	10.41%	42	N/A	N/A	424	409	-0.47%	96.46%	
2016	442	6,999,279	\$ 15,835	-5.58%	43	N/A	N/A	426	410	2.65%	96.24%	
2015	415	6,960,276	16,772	8.17%	42	N/A	N/A	415	400	0.48%	96.39%	
2014	413	6,403,625	15,505	5.54%	41	N/A	N/A	413	398	0.24%	96.37%	
2013	414	6,082,342	14,692	-2.74%	41	N/A	N/A	412	390	-1.20%	94.66%	
2012	417	6,299,200	15,106	8.94%	39	N/A	N/A	417	397	-0.48%	95.20%	
2011	419	5,809,738	13,866	6.79%	39	N/A	N/A	419	395	0.48%	94.27%	
2010	417	5,414,275	12,984	5.11%	39	N/A	N/A	417	386	-0.71%	92.57%	
2009	420	5,188,079	12,353	1.22%	36	N/A	N/A	420	391	3.70%	93.10%	
2008	405	4,942,295	12,203	N/A	35	N/A	N/A	405	373	N/A	92.10%	

Sources: Charter School records

Note: Enrollment based on annual October Charter School count.

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

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL

School Building Information
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Charter School Buildings										
Professional Studies Building New Jersey City University 2039 Kennedy Blvd. Jersey City, NJ	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (Student)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Building 275 West Side Avenue Jersey City, NJ	29,651	29,651	29,651	29,651	29,651	29,651	29,651	29,651	25,200	14,800
Square Feet	425	425	425	425	425	425	425	425	350	250
Capacity (Student)	424	415	418	420	420	420	405	393	416	323
Enrollment										

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Insurance Schedule
June 30, 2017

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

Source: Charter School's Records

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Insurance Schedule
June 30, 2017

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

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

	2015	2016	2017	Source
	Audit	Audit	Audit	
Cash	\$ 3,435,853	\$ 3,372,970	\$ 2,289,726	Audit: Exhibit A-1
Current Assets (includes CASH)	550,120	685,706	3,152,701	Audit: Exhibit A-1
Total Assets	4,546,753	4,821,473	3,533,076	Audit: Exhibit A-1
Current Liabilities	1,616,901	1,766,398	1,144,971	Audit: Exhibit A-1
Total Liabilities	1,674,886	1,787,968	2,640,754	Audit: Exhibit A-1
Net Assets	1,899,217	1,691,923	1,253,232	Audit: Exhibit A-1
Total Revenue	7,173,670	7,130,001	7,609,738	Audit: Exhibit A-2
Total Expenses	7,279,718	7,337,295	8,053,260	Audit: Exhibit A-2
Change in Net Assets	(106,048)	(207,294)	(443,522)	Audit: Exhibit A-2
Depreciation Expense	41,320	41,320	41,320	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	412.00	426.00	424.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	415	415		Charter School Budget

Near Term Indicators	RATIOS ANALYSIS...			3 YR CUM	Source:	Target
	2013	2014	2015			
1a. Current Ratio	0.34	0.39	2.75		Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	172.27	167.79	103.78		Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	99%	103%	0%		Average Daily Enrollment/Budgeted Enrollment	>95%
1d.* Default	N/A	N/A	N/A		Audit	not in default
Sustainability Indicators						
2a. Total Margin	-1%	-3%	-6%		Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	0.37	0.37	0.75		Total Liabilities/Total Assets	<9
2c.** Cash Flow	(100,109)	(62,883)	(1,083,244)		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 = 2015 Cash; 2014 = 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 OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

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


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

Union, New Jersey
November 30, 2017

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

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

Report on Compliance for Each Major State Program

We have audited the University Academy Charter High School’s compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017. The University Academy Charter High School’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the University Academy Charter High School, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated November 30, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants



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

Union, New Jersey
November 30, 2017

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2016	Carryover/ (Walkover) 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														
Passed-through State Department of Education														
Special Revenue Fund:														
No Child Left Behind:														
Title I Part A:														
84.010A	NCLB - 8060 - 17		232,343	9/1/16	8/31/17	\$ (63,193)	\$ -	275,404	\$ (232,343)	\$ -	\$ -	\$ (20,132)	\$ -	\$ -
84.367A	NCLB - 8060 - 17		1,305	9/1/16	8/31/17	(1,938)	-	1,938	(1,305)	-	-	(1,305)	-	-
						(65,131)		277,342	(233,648)			(21,437)		
Total No Child Left Behind														
Individuals with Disabilities Cluster:														
84.027	IDEA - 8060 - 17		103,627	9/1/16	8/31/17	(28,485)	-	62,719	(103,627)			(69,393)		
84.027	IDEA - 8060 - 16		-	9/1/15	8/31/16	(28,485)	-	62,719	(103,627)			(69,393)		
Total Individuals with Disabilities Cluster														
Total Special Revenue Fund														
						(93,616)	-	340,061	(337,275)			(90,830)		
U.S. Department of Agriculture														
Passed-through State Department of Agriculture														
Enterprise Fund:														
10.553	N/A		24,785	7/1/16	6/30/17	(1,587)	-	23,402	(24,785)			(1,383)		
10.553	N/A		-	7/1/15	6/30/16	(1,587)	-	1,587	-			-		
10.555	N/A		85,406	7/1/16	6/30/17	(4,408)	-	81,819	(85,406)			(3,587)		
10.555	N/A		-	7/1/15	6/30/16	(4,408)	-	4,408	-			-		
Total Enterprise Fund														
						(5,995)	-	112,890	(111,936)			(6,041)		
Total Federal Financial Awards														
						(99,611)	-	452,951	(449,211)			(85,871)		

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2017		MEMO
			From	To	Deferred Accounts (Accounts Receivable)	Due to Grantor				Deferred Payable/ Interfund Payable	Due to Grantor	
State Department of Education												
General Fund:												
State Aid - Public Cluster												
Equalization Aid	17-495-034-5120-078	3,650,573	7/1/16	6/30/17			3,650,573	(3,650,573)				3,650,573
Special Education Categorical Aid	17-495-034-5120-089	270,222	7/1/16	6/30/17			270,222	(270,222)				270,222
Security Aid	17-495-034-5120-084	150,119	7/1/16	6/30/17			150,119	(150,119)				150,119
Adjustment Aid	17-495-034-5120-085	677,131	7/1/16	6/30/17			607,432	(677,131)	(69,699)			677,131
Total State Aid - Public Cluster		4,748,045					4,678,346	(4,748,045)				4,748,045
On-Behalf TPAF Post-Retirement Medical Contributions	17-495-034-5095-001	231,042	7/1/16	6/30/17			231,042	(231,042)				231,042
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	277,284	7/1/16	6/30/17			277,284	(277,284)				277,284
On-Behalf TPAF Long-Term Disability Contributions	17-495-034-5095-004	769	7/1/16	6/30/17			137,814	(769)				769
Reimbursed TPAF - Social Security	17-495-034-5094-003	239,045	7/1/16	6/30/17		(135,046)	139,046	(239,046)	(101,231)		101,231	239,045
Reimbursed TPAF - Social Security	16-495-034-5095-002	216,166	7/1/15	6/30/16		(135,046)						
Total General Fund							5,459,532	(5,486,185)		(170,930)	170,930	5,498,185
State Department of Agriculture												
Enterprise Fund:												
National School Lunch Program (State Share)	17-100-010-3350-023	1,571	7/1/16	6/30/17		(80)	1,506	(1,571)	(65)		65	1,571
National School Lunch Program (State Share)	16-100-010-3350-023	1,284	7/1/15	6/30/16		(80)	80					
Total Enterprise Fund							1,586	(1,571)		(65)	65	1,571
Total All Funds							5,461,118	(5,487,756)		(170,995)	170,995	5,497,756
State Financial Assistance Not Subject to Major Program Determination:												
General Funds:												
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	277,284	7/1/16	6/30/17			277,284	(277,284)				277,284
On-Behalf TPAF Post-Retirement Medical Contributions	17-495-034-5095-001	231,042	7/1/16	6/30/17			231,042	(231,042)				231,042
On-Behalf TPAF Long-Term Disability Contributions	17-495-034-5095-004	769	7/1/16	6/30/17				(769)				769
Total State Financial Assistance Subject to Single Audit							4,952,792	(4,988,661)		(170,995)	170,995	4,988,661

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes to the 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, University Academy Charter High School. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes to the 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:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 5,496,185	\$ 5,496,185
Special Revenue Fund	337,275	-	337,275
Food Service Fund	111,936	1,571	113,507
Total Awards & Financial Assistance	<u>\$ 449,211</u>	<u>\$ 5,497,756</u>	<u>\$ 5,946,967</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

University Academy Charter High School has no loan balances outstanding at June 30, 2017.

NOTE 6. OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents 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.

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

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

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Notes to the Schedules of Expenditures Of Awards and Financial Assistance
June 30, 2017

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The Charter School does not have a schoolwide program.

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

State Awards

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

Identification of major state programs:

GMIS Number(s)	Name of State Program
	<u>STATE AID-PUBLIC CLUSTER:</u>
<u>17-495-034-5120-078</u>	<u>EQUALIZATION AID</u>
<u>17-495-034-5120-089</u>	<u>SPECIAL EDUCATION CATEGORICAL AID</u>
<u>17-495-034-5120-084</u>	<u>SECURITY AID</u>
<u>17-495-034-5120-085</u>	<u>ADJUSTMENT AID</u>

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Part II –Schedule of Financial Statement Findings

The section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Summary Schedule of Prior Year Audit Findings and Questioned Costs
as Prepared by Management
For the Fiscal Year Ended June 30, 2017

***Part III – Schedule of Federal and State Award
Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S Uniform Guidance and New Jersey OMB's Circular Letter 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable

CURRENT YEAR STATE AWARDS

No Current Year Findings

UNIVERSITY ACADEMY CHARTER HIGH SCHOOL
Summary Schedule of Prior Year Audit Findings
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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

STATUS OF PRIOR YEAR FINDINGS

No Prior Year Findings