

M.E.T.S. CHARTER SCHOOL

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

M.E.T.S. Charter School

Jersey City, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

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

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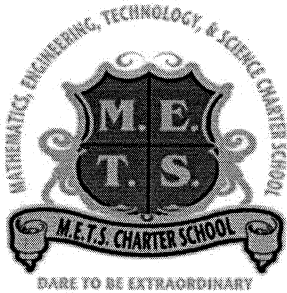
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INTRODUCTORY SECTION



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Ms. Gail Long – School Business Administrator & Board Secretary

January 18, 2019

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

Dear Board Members:

The comprehensive annual financial report of M.E.T.S. Charter School (the "Charter School") for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart, roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the Charter School's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the Charter School, generally presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

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

The mission of M.E.T.S. Charter School states that M.E.T.S. Charter School is an Early College Preparatory School that utilizes research-based instructional practices to achieve student proficiency in mathematics, engineering, technology, and science. Our school is committed to providing a high-quality education focused on college and career readiness while fostering an equitable, innovative, and creative learning environment. We prepare all students to take college level courses and graduate from high school within four years with up to 60 college credits and/or an associate degree. Our school promotes postsecondary success by prioritizing admission to a four-year college or university for each member of our graduating class. We dare every student to be extraordinary!

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

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

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

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

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

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

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

Science, Technology, Engineering and Mathematics (STEM): M.E.T.S. continues to develop its commitment to and focus on STEM subject areas. Our long-term partnership with Liberty Science Center and the New Jersey Center for Teaching and Learning (NJCTL) is a critical force in the development of our research-based curriculum across all STEM content areas. We continue to increase and improve our experiential field trips to the Center.

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

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

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

Technology access and utilization has been greatly expanded. Each student utilizes their own Chromebook throughout the school day and we have moved to a nearly entirely digital library of resources and learning tools.

The School has launched an engineering design program at the high school level. We participate in the Sony Panasonic Creative Design Challenges and FIRST (For Inspiration and Recognition of Science and Technology) Robotics. Our Engineering students also participate in the TEOP (The Enrichment Outreach Program) with Fairleigh Dickinson University. Our Engineering Curriculum comes directly from the University of Texas program "Engineer Your World" which is developed alongside the National Science Foundation.

In addition, M.E.T.S. offers a comprehensive after-school program Monday through Friday, from 3:00-5:00 pm where students can work with teacher trainees from New Jersey City University for extra support throughout all content areas. The Charter School completed the 2017-2018 fiscal year with an enrollment of 664 students.

2) MAJOR INITIATIVES:

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

3) ECONOMIC CONDITION AND OUTLOOK:

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

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2018.

6) ACCOUNTING SYSTEM AND REPORTS:

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

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

9) CASH MANAGEMENT:

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

8) RISK MANAGEMENT:

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

The Honorable Chairperson and Members
of the Board of Trustees
M.E.T.S. Charter School
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January 18, 2019

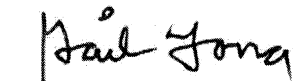
9) OTHER INFORMATION:

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

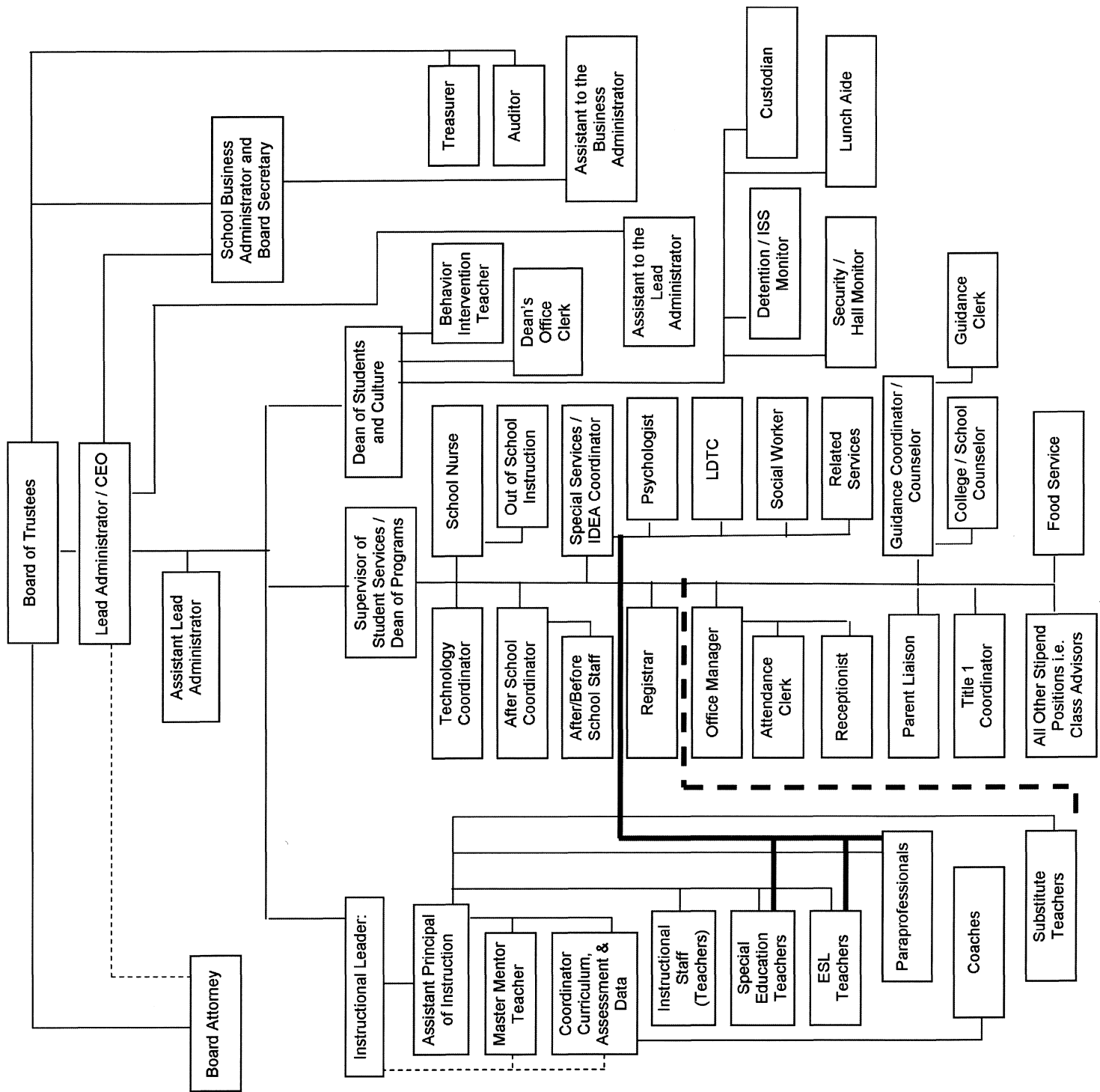
10) ACKNOWLEDGMENTS:

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

Respectfully submitted,



Gail Long, S.B.A.
School Business Administrator/Board Secretary



M.E.T.S. CHARTER SCHOOL
ROSTER OF OFFICIALS
JUNE 30, 2018

<u>Members of the Board of Trustees:</u>	<u>Expiration of Term</u>
Eleanor Ayala, President (to 8/31/2017)	2019
Richard Borkowski, President (from 9/1/2017 to 6/30/2018)	2018
Irene Hall, Vice President (to 3/27/2018)	2020
Anita Spence	2020
Leah DeLeon	2019
Sandy Rubin	2021
Janet Chavis (from 2/27/2018)	2019
Wilson Pichardo (from 2/27/2018)	2020

<u>Other Officials</u>	<u>Title</u>
Madelyn Dullea	Interim Lead Administrator (From November 2017, to June 2018)
Jahi Ethan Bashir	Lead Administrator (From June 2018)
Jayson Gutierrez	Business Administrator/Board Secretary (From May 2017, to August 2017)

M.E.T.S. CHARTER SCHOOL
Consultants and Advisors

Audit Firm

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and
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Official Depository

PNC Bank
Newark, NJ 07631

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mathematics, Engineering, Technology, and Science (M.E.T.S) Charter School of Jersey City (the "Charter School") in the County of Hudson, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Education of the M.E.T.S. Charter School, in the County of Hudson, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and postemployment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

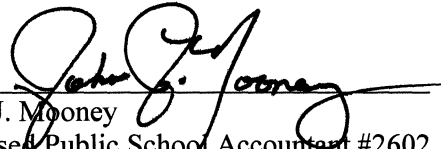
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP
NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

This section of M.E.T.S. Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

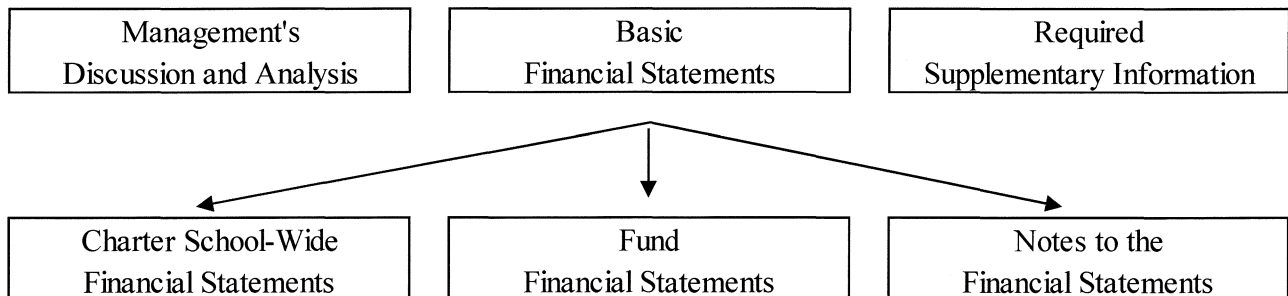
Overview of the Financial Statements

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

- The first two statements are *charter school-wide financial statements* that provide both *short-term* and *long-term* information about the Charter School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the School's operations in *more* detail than the Charter School-Wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the School operates like a business, such as food services and the before and after school program. (Not Applicable)
- *Fiduciary funds statements* provide information about the financial relationships in which the Charter School acts solely as a trustee or agent for the benefit of others.

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

**Figure A-1
Organization of The M.E.T.S Charter School's Financial Report**



**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Figure A-2

Major Features of the Charter School-Wide and Fund Financial Statements

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

**M.E.T.S. Charter School
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Charter School-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The School has two kinds of funds:

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

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Fund Financial Statements (Cont'd)

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

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

Financial Analysis of the School as a Whole

Net Position. The Charter School's *combined* net position was \$916,619 on June 30, 2018, \$592,231 or 182.57% more than it was the year before. (See Figure A-3).

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

	Government Activities		Percentage
	2017/2018	2016/2017	Change 2017/2018
Current and Other Assets	\$ 2,193,684	\$ 1,079,866	
Capital Assets, Net	69,877	81,562	
Total Assets	<u>2,263,561</u>	<u>1,161,428</u>	94.89%
Deferred Outflows of Resources	<u>590,807</u>	<u>861,159</u>	-31.39%
Other Liabilities	711,272	337,641	
Long-Term Liabilities	817,199	1,280,433	
Total Liabilities	<u>1,528,471</u>	<u>1,618,074</u>	-5.54%
Deferred Inflows of Resources	<u>409,278</u>	<u>80,125</u>	410.80%
Net Position:			
Net Investment in Capital Assets	69,877	81,562	
Restricted	75,000	50,000	
Unrestricted	<u>771,742</u>	<u>192,826</u>	
Total Net Position	<u>\$ 916,619</u>	<u>\$ 324,388</u>	<u>182.57%</u>

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Changes in Net Position. The Charter School's net position increased \$592,231 during the year. Net Investment in Capital Assets decreased due to depreciation. Restricted net position increased \$25,000 as a result of the accrual required for School Escrow. Unrestricted net position increased \$578,916 primarily due to a decrease in net pension liability.

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

	Governmental Activities		Percentage
	2017/2018	2016/2017	Change 2017/2018
Revenue:			
Program Revenue:			
Operating Grants and Contributions	\$ 2,985,146	\$2,316,461	
General Revenue:			
Local Property Taxes - Charter School Aid	2,055,688	1,569,459	
Unrestricted Federal and State Aid	7,058,889	4,944,214	
Other	7,143	4,805	
Total Revenue	<u>12,106,866</u>	<u>8,834,939</u>	37.03%
Expenses:			
Instruction	7,133,323	5,559,744	
Student & Instruction Related Services	410,235		
General Administration Services	1,561,067	1,443,434	
School Administration Services	425,667	820,759	
Plant Operations and Maintenance	1,795,277	1,099,104	
Pupil Transportation	189,066	56,217	
Total Expenses	<u>11,514,635</u>	<u>8,979,258</u>	28.24%
Increase/(Decrease) in Net Position	<u>\$ 592,231</u>	<u>\$ (144,319)</u>	510.36%

Governmental Activities

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

Figure A-5 presents the cost of six major Charter School activities: instruction, general administration, school administration, support services, plant operations and maintenance and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

**Figure A-5
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017/2018	2016/2017	2017/2018	2016/2017
Instruction	\$ 7,133,323	\$ 5,559,744	\$ 4,283,270	\$ 3,418,790
General Administration Services	1,561,067	1,443,434	1,461,212	1,342,874
School Administration Services	425,667	820,759	390,429	745,812
Plant Operations and Maintenance	1,795,277	1,099,104	1,795,277	1,099,104
Pupil Transportation	189,066	56,217	189,066	56,217
Total	\$ 11,514,635	\$ 8,979,258	\$ 8,529,489	\$ 6,662,797

Governmental Activities

- The cost of all governmental activities this year was \$11,514,635.
- A significant portion - \$7,058,889 - of the Charter School's activities were subsidized by the federal and state grants and aid.
- A portion of the governmental activities were financed with \$2,055,688 through amounts raised by local school district tax levies and transferred to the Charter School in the form of Charter School Aid.

Financial Analysis of the Charter School's Funds

The Charter School's financial position increased on a fund basis. This is primarily due to revenues exceeding expenses. The primary reason for revenues exceeding expenses is the school had a higher enrollment in the current year compared to the previous year.

General Fund Budgetary Highlights

Over the course of the year, the Charter School revised the annual operating budget several times. These budget amendments represented changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Assets and Long-term Liabilities Administration

Figure A-6

Capital Assets (Net of Depreciation)

	Governmental Activities		Percent Change
	2017/2018	2016/2017	2017/2018
Buildings and Building Improvements	\$ 66,767	\$ 77,171	
Machinery and Equipment	3,110	4,391	
Total Capital Assets, Net of Depreciation	\$ 69,877	\$ 81,562	-14.33%

**M.E.T.S. Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Long-term Liabilities

At year-end, the Charter School has \$672,023 of net pension liability and \$145,176 in compensated absences – as shown in Figure A-7. (More detailed information about the Charter School's long-term liabilities is presented in the Notes to the Basic Financial Statements, Note 5).

**Figure A-7
Outstanding Long-Term Liabilities**

	Total School District		Percentage
	2017/2018	2016/2017	Change 2017/2018
Net Pension Liability	\$ 672,023	\$ 1,213,609	
Compensated Absences	145,176	66,824	
	<u>\$ 817,199</u>	<u>\$ 1,280,433</u>	-36.18%

Factors Bearing on the Charter School's Future

The State of New Jersey continues to face serious budgetary constraints. This has impacted the amount of state aid allocated to charter schools. This reality was taken into account when adopting the General Fund budget for 2018-2019. Every effort was directed to providing quality education to the community. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs needed to meet New Jersey's Core Curriculum Content Standards.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

M.E.T.S. CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,420,948
Receivable from Local Governments	45,895
Receivable from State Government	223,362
Receivable from Federal Government	328,107
Prepaid Expenses	175,372
Capital Assets:	
Depreciable Improvements and Equipment, Net	<u>69,877</u>
Total Assets	<u>2,263,561</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	<u>590,807</u>
Total Deferred Outflows of Resources	<u>590,807</u>
LIABILITIES	
Interfund Payable - Fiduciary Funds	201
Accounts Payable	577,135
Payable to State Government	126,936
Unearned Revenue	7,000
Noncurrent Liabilities:	
Due Beyond One Year	<u>817,199</u>
Total Liabilities	<u>1,528,471</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	<u>409,278</u>
Total Deferred Inflows of Resources	<u>409,278</u>
NET POSITION	
Net Investment in Capital Assets	69,877
Restricted for:	
Charter School Escrow	75,000
Unrestricted	<u>771,742</u>
Total Net Position	<u>\$ 916,619</u>

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

M.E.T.S. CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$ 6,709,171	\$ 2,674,201	\$ (4,034,970)
Special Education	277,243	135,290	(141,953)
Other Instruction	146,909	40,562	(106,347)
Support Services:			
Student & Instruction Related Services	410,235		(410,235)
General Administration Services	1,561,067	99,855	(1,461,212)
School Administration Services	425,667	35,238	(390,429)
Plant Operations and Maintenance	1,795,277		(1,795,277)
Pupil Transportation	189,066		(189,066)
Total Governmental Activities	<u>11,514,635</u>	<u>2,985,146</u>	<u>(8,529,489)</u>
Total Primary Government	<u>\$ 11,514,635</u>	<u>\$ 2,985,146</u>	<u>(8,529,489)</u>
General Revenue:			
Taxes:			
Local Property Taxes - Charter School Aid			2,055,688
Unrestricted Federal and State Aid			7,058,889
Investment Earnings			386
Miscellaneous Income			6,757
Total General Revenue			<u>9,121,720</u>
Change in Net Position			592,231
Net Position - Beginning			<u>324,388</u>
Net Position - Ending			<u>\$ 916,619</u>

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

FUND FINANCIAL STATEMENTS

M.E.T.S. CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 1,420,948		\$ 1,420,948
Interfund Receivable	225,964		225,964
Intergovernmental Receivable:			
Federal		\$ 328,107	328,107
State	223,362		223,362
Other	45,895		45,895
Prepaid Expenditures	175,372		175,372
Total Assets	\$ 2,091,541	\$ 328,107	\$ 2,419,648

LIABILITIES AND FUND BALANCES:

Liabilities:			
Accounts Payable	\$ 432,988	\$ 95,143	\$ 528,131
Payable to State Government	126,936		126,936
Unearned Revenue		7,000	7,000
Interfund Payable	201	225,964	226,165
Total Liabilities	560,125	328,107	888,232

Fund Balances:

Restricted:			
Charter School Escrow	75,000		75,000
Assigned:			
Year End Encumbrances	115,957		115,957
Unassigned	1,340,459		1,340,459
Total Fund Balances	1,531,416		1,531,416
Total Liabilities and Fund Balances	\$ 2,091,541	\$ 328,107	2,419,648

M.E.T.S. CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Total	Governmental Funds
Amounts Reported for <i>Governmental Activities</i> in the <i>Statement of Net Position</i> (Exhibit A-1) are different because:		
Capital assets used in <i>Governmental Activities</i> are not financial resources and therefore are not reported in the Funds.	\$	69,877
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(145,176)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported		(672,023)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:		
Deferred Outflows		541,803
Deferred Inflows		(409,278)
Net Position of <i>Governmental Activities</i>	\$	916,619

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

M.E.T.S. CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Charter School Aid	\$ 2,055,688		\$ 2,055,688
Miscellaneous	7,143	\$ 600	7,743
Total - Local Sources	2,062,831	600	2,063,431
State Sources	8,091,870		8,091,870
Federal Sources		655,005	655,005
Total Revenue	<u>10,154,701</u>	<u>655,605</u>	<u>10,810,306</u>
EXPENDITURES:			
Current:			
Regular Instruction	3,440,371	567,296	4,007,667
Special Education Instruction	101,689	88,309	189,998
School-Sponsored Cocurricular Activities - Instruction	19,458		19,458
Student & Instructional Related Services	410,235		410,235
General Administration Services	1,238,924		1,238,924
School Administration Services	294,384		294,384
Student Transportation Services	189,066		189,066
Plant Operations and Maintenance	1,776,313		1,776,313
Unallocated Employee Benefits	1,923,647		1,923,647
Total Expenditures	<u>9,394,087</u>	<u>655,605</u>	<u>10,049,692</u>
Excess of Revenue over Expenditures	<u>760,614</u>		<u>760,614</u>
Fund Balance—July 1	<u>770,802</u>		<u>770,802</u>
Fund Balance—June 30	<u>\$ 1,531,416</u>	<u>\$ - 0 -</u>	<u>\$ 1,531,416</u>

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

M.E.T.S. CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 760,614

Amounts Reported for *Governmental Activities* in the *Statement of Activities (Exhibit A-2) are Different Because:*

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation in the period. (11,685)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (78,352)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	541,586
Change in Deferred Outflows	(290,779)
Change in Deferred Inflows	<u>(329,153)</u>
Change in Net Position (from Exhibit A-2)	<u>\$ 592,231</u>

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

M.E.T.S. CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>		<u>Total</u>
	<u>Payroll</u>	<u>Student Activities</u>	
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 86,054	\$ 32,509	\$ 118,563
Interfund Receivable: General Fund	201		201
Total Assets	<u>\$ 86,255</u>	<u>\$ 32,509</u>	<u>\$ 118,764</u>
<u>LIABILITIES:</u>			
Due to Student Groups		\$ 32,509	\$ 32,509
Unemployment Trust Fund	\$ 23,749		23,749
Payroll Deductions and Withholdings	62,506		62,506
Total Liabilities	<u>\$ 86,255</u>	<u>\$ 32,509</u>	<u>\$ 118,764</u>

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

Charter School-Wide Financial Statements (Cont'd)

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

Fund Financial Statements:

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

The Charter School reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, School taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

C. Measurement Focus and Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

D. Budgets/Budgetary Control:

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources:</u>		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	<u>\$ 10,154,701</u>	<u>\$ 655,005</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 10,154,701</u></u>	<u><u>\$ 655,005</u></u>
<u>Uses/Outflows of Resources:</u>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 9,394,087</u>	<u>\$ 655,005</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 9,394,087</u></u>	<u><u>\$ 655,005</u></u>

E. Cash and Cash Equivalents and Investments:

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

K. Capital Assets:

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

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

	Estimated Useful Life
Building Improvements	20 years
Equipment	10 years

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

L. Long Term Liabilities:

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

M. Accrued Salaries and Wages:

Certain Charter School employees, who provide services to the Charter School over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2018, there were no accrued salaries.

N. Compensated Absences:

The Charter School accounts for compensated absences as directed by GASB. A liability attributable to services already rendered and not contingent on a specific event outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,531,416 General Fund fund balance at June 30, 2018, \$75,000 is restricted for Charter School Escrow, \$115,957 is assigned for encumbrances and \$1,340,459 is unassigned.

Q. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources and deferred inflows of resources related to pension at June 30, 2018.

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Q. Net Position: (Cont'd)

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

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

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

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has funds restricted at June 30, 2018 for Charter School Escrow.

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

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2018.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has assigned resources at June 30, 2018 for year-end encumbrances.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

S. Revenue - Exchange and Nonexchange Transactions:

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

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

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

T. Management Estimates:

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

U. Pensions:

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

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

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

Deposits:

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

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

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

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

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.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the Charter School consisted of the following:

	Cash and Cash Equivalents
Checking & Savings Accounts	<u>\$ 1,539,511</u>

During the period ended June 30, 2018, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents at June 30, 2018 was \$1,539,511 and the bank balance was \$1,821,958.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Increases	Decreases/ Adjustments	Balance June 30, 2018
Governmental Activities:				
Capital Assets Being Depreciated:				
Building Improvements	\$ 104,032			\$ 104,032
Equipment	8,971			8,971
Total Capital Assets Being Depreciated	113,003			113,003
Governmental Activities Capital Assets	113,003			113,003
Less Accumulated Depreciation for:				
Building Improvements	(26,861)	\$ (10,404)		(37,265)
Equipment	(4,580)	(1,281)		(5,861)
Total Accumulated Depreciation	(31,441)	(11,685)		(43,126)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 81,562</u>	<u>\$ (11,685)</u>	<u>\$ - 0 -</u>	<u>\$ 69,877</u>

There were no capital acquisitions for the current fiscal year from governmental activities.

Depreciation expense was charged to governmental functions as follows:

General Administration	\$ 683
Plant Operations and Maintenance	10,830
Food Service	172
	<u>\$ 11,685</u>

NOTE 5. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in long-term liabilities reported in the district-wide financial statements:

	Balance June 30, 2017	Accrued	Retired	Balance June 30, 2018
Compensated Absences Payable	\$ 66,824	\$ 78,352		\$ 145,176
Net Pension Liability	1,213,609		\$ 541,586	672,023
	<u>\$ 1,280,433</u>	<u>\$ 78,352</u>	<u>\$ 541,586</u>	<u>\$ 817,199</u>

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

A. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$672,023. See Note 6 for more information on PERS.

B. Compensated Absences Payable

The Charter School's compensated absences payable of its Governmental activities will be liquidated through the General Fund. There is no current portion payable; therefore; the entire balance of \$66,824 as of June 30, 2018 is included in the long-term portion of long-term liabilities.

NOTE 6. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.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	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$20,527 for fiscal year 2018.

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

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

At June 30, 2018, the Charter School reported a liability of \$672,023 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Charter School's proportion was 0.0029%, which was a decrease of 0.0011% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the Charter School recognized pension expense of \$105,096. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions on the following page:

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 7,623	
	2015	5.72	32,112	
	2016	5.57	95,654	
	2017	5.48		\$ 134,893
			<u>135,389</u>	<u>134,893</u>
Difference Between Expected and Actual Experience	2015	5.72	8,909	
	2016	5.57	2,903	
	2017	5.48	4,012	
			<u>15,824</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(8,053)	
	2015	5.00	6,870	
	2016	5.00	28,803	
	2017	5.00	(23,044)	
			<u>4,576</u>	
Changes in Proportion	2014	6.44	140,341	
	2015	5.72		58,585
	2016	5.57	245,673	
	2017	5.48		215,800
			<u>386,014</u>	<u>274,385</u>
District Contribution Subsequent to the Measurement Date	2017	1.00	49,004	
			<u>\$ 590,807</u>	<u>\$ 409,278</u>

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 15,821
2019	23,873
2020	14,466
2021	(19,239)
2022	(14,023)
	\$ 20,898

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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, 2017 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:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School's proportionate share of the Net Pension Liability	\$ 833,690	\$ 672,023	\$ 537,334

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. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School. This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2018, the State of New Jersey contributed \$298,939 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$1,243,441.

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the Charter School was \$17,949,365. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Charter School's proportion was 0.027%, which was an increase of 0.007% from its proportion measured as of June 30, 2016.

Charter School's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>17,949,365</u>
Total	\$	<u>17,949,365</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the Charter School in the amount of \$1,243,441 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
				<u>13,378,255,364</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 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 pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

The following presents the State's proportionate share of the net pension liability associated with the Charter School as of June 30, 2017 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:

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 21,324,408	\$ 17,949,365	\$ 15,168,989

Pension Plan Fiduciary Net Position

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

NOTE 7. RISK MANAGEMENT

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

The Charter School provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

New Jersey Unemployment Compensation Insurance

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

Fiscal Year	Employer/Employee Contributions	Amount Reimbursed	Ending Balance
2017-2018	\$ 44,477	\$ 44,477	\$ 23,749
2016-2017	15,470	13,945	23,749
2015-2016	9,646		22,224

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance

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

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

The audit of the NJSIG as of June 30, 2018 is not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2017 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 328,772,862
Net Position	\$ 78,662,630
Total Revenue	\$ 131,811,793
Total Expenses	\$ 121,371,527
Change in Net Position	\$ 10,440,266
Member Dividends	\$ -0-

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

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

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. ECONOMIC DEPENDENCY

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

NOTE 9. DEFERRED COMPENSATION

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

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2018.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 225,964	\$ 201
Special Revenue Fund		225,964
Fiduciary Funds	201	
	\$ 226,165	\$ 226,165

The interfund receivable in the General Fund consists of funds due from funds advanced to the Special Revenue Fund for the deficit in cash created by the Federal Grants receivable. The interfund payable in the General Fund consists of amounts due to the Payroll Agency Account at year end.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2018 there were \$115,957 in encumbrances in the General Fund.

M.E.T.S. CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities as of June 30, 2018 consisted of the following:

	<u>Governmental Funds</u>		<u>Total Governmental Funds</u>	<u>District Contri- bution Subsequent to the Measure- ment Date</u>	<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>			
Vendors	\$ 432,988	\$ 95,143	\$ 528,131		\$ 528,131
State of New Jersey				\$ 49,004	49,004
	<u>\$ 432,988</u>	<u>\$ 95,143</u>	<u>\$ 528,131</u>	<u>\$ 49,004</u>	<u>\$ 577,135</u>

NOTE 13. LEASE OF FACILITIES

M.E.T.S. Charter School's annual operating lease with St. Paul of the Cross Church, commenced on January 1, 2014 and continues to June 30, 2020. The Charter School agrees to pay monthly rent of \$52,359.83, \$53,930.67 and \$55,548.58 for fiscal years 2018, 2019 and 2020, respectively.

M.E.T.S. Charter School's annual operating lease with St. Paul of the Cross Church, for the school lunch room and activities, commenced on September 1, 2015 and continues to June 30, 2020. The Charter School agreed to pay monthly rent of \$3,500 plus \$1,000 for utilities from September 1, 2015 to June 30, 2016. For the remainder of the contract, the Charter School agreed to pay monthly rent of \$5,000 plus \$1,000 for utilities from July 1, 2016 to June 30, 2020.

Total future minimum lease payments under the two leases is as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2019	\$ 719,168
June 30, 2020	<u>738,583</u>
Total future minimum lease payments	<u>\$ 1,457,751</u>

M.E.T.S. CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

NOTE 14. OPERATING LEASE

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

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2019	\$ 9,600
June 30, 2020	<u>5,600</u>
Total future minimum lease payments	<u>\$ 15,200</u>

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

M.E.T.S. CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

M.E.T.S. CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is 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.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

M.E.T.S. CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 4,965,129	\$ 4,182,668	\$ 3,562,013
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 4,880,790	\$ 4,074,043	\$ 3,439,030

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 3,439,840	\$ 4,182,668	\$ 5,169,135
	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 3,342,866	\$ 4,074,043	\$ 5,051,557

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$856,912 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

M.E.T.S. CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Cont'd)

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

REQUIRED SUPPLEMENTARY SCHEDULES

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Charter School's proportion of the net pension liability	0.0028079094%	0.0021678854%	0.0040976571%
Charter School's proportionate share of the net pension liability	\$ 525,717	\$ 486,647	\$ 1,213,609
Charter School's covered employee payroll	\$ 189,903	\$ 213,186	\$ 218,986
Charter School's proportionate share of the net pension liability attributable to the Charter School as a percentage of its covered employee payroll	276.83%	228.27%	554.19%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			48.10%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 23,148	\$ 18,650	\$ 55,629
Contributions in relation to the contractually required contribution	(23,148)	(18,650)	(37,643)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ 17,986
Charter School's covered employee payroll	\$ 213,186	\$ 213,186	\$ 213,186
Contributions as a percentage of covered employee payroll	10.86%	8.75%	26.09%
			9.37%
			\$ 20,527
			(20,527)

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the Charter School	0.0123871009%	0.0132732412%	0.0193884481%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,620,502	\$ 8,389,255	\$ 15,252,188
Charter School's covered employee payroll	\$ 1,571,024	\$ 2,245,741	\$ 2,789,251
State's proportionate share of the net pension liability as a percentage of its covered employee payroll	421.41%	373.56%	546.82%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			2018
			0.0266217811%
			\$ 17,949,365
			\$ 2,689,900
			667.29%
			25.41%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
	2018		
Contractually required contribution	\$ 356,245	\$ 512,240	\$ 1,145,990
Contributions in relation to the contractually required contribution	<u>(71,760)</u>	<u>(155,232)</u>	<u>(288,972)</u>
Contribution deficiency/(excess)	<u>\$ 284,485</u>	<u>\$ 357,008</u>	<u>\$ 857,018</u>
Charter School's covered employee payroll	\$ 2,245,741	\$ 2,789,251	\$ 2,689,900
Contributions as a percentage of covered employee payroll	3.20%	5.57%	10.74%
			16.58%
			<u>\$ 1,243,441</u>
			<u>(483,760)</u>
			<u>\$ 759,681</u>

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

M.E.T.S. CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

M.E.T.S. CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 2,055,688	\$ (486,229)	\$ 1,569,459	\$ 2,055,688	\$ 486,229
Interest				1,368	1,368
Miscellaneous				5,775	5,775
Total - Local Sources	2,055,688	(486,229)	1,569,459	2,062,831	493,372
State Sources:					
Local Levy - Charter School Aid - State Share	6,264,032		6,264,032	6,512,924	248,892
Special Education Aid - Charter School Aid	357,668		357,668	298,925	(58,743)
Security Aid	241,555		241,555	247,040	5,485
On-Behalf TPAF Pension Contributions (Non-Budgeted)				483,760	483,760
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				11,740	11,740
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				320,033	320,033
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,165	3,165
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				214,283	214,283
Total State Sources	6,863,255		6,863,255	8,091,870	979,723
Total Revenues	8,918,943	(486,229)	8,432,714	10,154,701	1,721,987
Expenditures:					
Regular Programs - Instruction:					
Grades 6-8 - Salaries of Teachers	2,976,088	(2,346,678)	629,410	542,416	86,994
Grades 9-12 - Salaries of Teachers	400,000	1,854,115	2,254,115	2,188,609	65,506
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	356,766	(171,755)	185,011	184,988	23
Purchased Technical Services	518,227	(66,944)	451,283	310,097	141,186
Other Purchased Services	139,920	(57,350)	82,570	56,419	26,151
General Supplies	476,725	(310,600)	166,125	127,082	39,043
Textbooks	56,000	(50,000)	6,000	2,794	3,206
Miscellaneous	4,000	1,200	5,200	5,021	179
Purchased Services (300-500 Series)		23,100	23,100	22,945	155
Total Regular Programs - Instruction	4,927,726	(1,124,912)	3,802,814	3,440,371	362,443

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 69,085	\$ (22,720)	\$ 46,365	\$ 45,789	\$ 576
Total Resource Room/Resource Center	69,085	(22,720)	46,365	45,789	576
Bilingual Education - Instruction:					
Salaries of Teachers	55,900		55,900	55,900	
Total Bilingual Education - Instruction	55,900		55,900	55,900	
Total Special Education - Instruction	124,985	(22,720)	102,265	101,689	576
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	35,000		35,000	11,500	23,500
Supplies and Materials		10,959	10,959	7,958	3,001
Total School-Sponsored Cocurricular Activities - Instruction	35,000	10,959	45,959	19,458	26,501
Total Instruction	5,087,711	(1,136,673)	3,951,038	3,561,518	389,520
Undistributed Expenditures - Instructional Staff Training Services					
Purchased Professional - Educational Service - Tuition Reimbursement		12,049	12,049	3,241	8,808
Total Undistributed Expenditures - Instructional Staff Training Services		12,049	12,049	3,241	8,808
Undistributed Expenditures - Health Services:					
Salaries	56,900		56,900	51,495	5,405
Purchased Professional and Technical Services	45,751	4,149	49,900	40,249	9,651
Total Undistributed Expenditures - Health Services	102,651	4,149	106,800	91,744	15,056

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Undistributed Expenditures - Guidance:					
Salaries	\$ 139,081		\$ 139,081	\$ 139,081	
Total Undistributed Expenditures - Guidance	139,081		139,081	139,081	
Undistributed Expenditures - Child Study Team:					
Salaries of Other Professional Staff	145,552		145,552	136,779	\$ 8,773
Purchased Professional - Educational Services		\$ 39,455	39,455	39,390	65
Total Undistributed Expenditures - Child Study Team	145,552	39,455	185,007	176,169	8,838
General Administration:					
Salaries - Administration	449,467	399,696	849,163	834,200	14,963
Legal Services	75,000	23,000	98,000	97,633	367
Audit Fees	75,101	(12,102)	62,999	39,300	23,699
Communications	9,470	13,100	22,570	22,482	88
Other Purchased Services	211,564	12,429	223,993	195,194	28,799
Supplies and Materials	8,200	30,000	38,200	11,320	26,880
Judgements Against the District	25,000		25,000		25,000
Miscellaneous Expenses	30,150	18,500	48,650	38,795	9,855
Total General Administration	883,952	484,623	1,368,575	1,238,924	129,651
School Administration:					
Salaries of Secretarial and Clerical Assistants	246,351	53,710	300,061	294,384	5,677
Total School Administration	246,351	53,710	300,061	294,384	5,677

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Custodial Services:					
Salaries	\$ 700,318	\$ 235,115	\$ 235,115	\$ 230,531	\$ 4,584
Rental of Land and Buildings	112,924	408,001	1,108,319	1,105,888	2,431
Other Purchased Property Services	171,132	(32,572)	80,352	66,344	14,008
Insurance	55,000	(17,602)	153,530	145,791	7,739
Supplies and Materials	78,000	(21,000)	34,000	22,592	11,408
Energy (Electricity)	5,000	1,300	79,300	72,789	6,511
Other Objects		15,000	20,000	16,748	3,252
Total Custodial Services	1,122,374	588,242	1,710,616	1,660,683	49,933
Security:					
Purchased Professional and Technical Services		128,650	128,650	109,856	18,794
General Supplies		6,000	6,000	5,774	226
Total Security		134,650	134,650	115,630	19,020
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	270,000	(93,500)	176,500	147,738	28,762
Other Than Between Home and School - Vendors		50,000	50,000	41,328	8,672
Total Student Transportation Services	270,000	(43,500)	226,500	189,066	37,434
Unallocated Benefits:					
Social Security Contributions	90,000	65,362	155,362	153,028	2,334
Other Retirement Contributions - PERS	46,000	(8,357)	37,643	20,527	17,116
Unemployment Compensation	101,980		101,980	44,477	57,503
Health Benefits	671,291	(57,333)	613,958	613,847	111
Tuition Reimbursement		12,257	12,257	4,900	7,357
Other Employee Benefits	12,000		12,000	7,105	4,895
Unused Sick Payment to Terminated/Retired Staff		47,000	47,000	46,782	218
Total Unallocated Benefits	921,271	58,929	980,200	890,666	89,534

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)	\$ 483,760			\$ 483,760	\$ (483,760)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)	11,740			11,740	(11,740)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)	320,033			320,033	(320,033)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)	3,165			3,165	(3,165)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	214,283			214,283	(214,283)
Total On-Behalf Contributions	<u>1,032,981</u>			<u>1,032,981</u>	<u>(1,032,981)</u>
Total Expenditures	<u>\$ 8,918,943</u>	<u>\$ 195,634</u>	<u>\$ 9,114,577</u>	<u>9,394,087</u>	<u>(279,510)</u>
Excess / (Deficiency) of Revenues Over (Under) / Expenditures		(681,863)	(681,863)	760,614	1,442,477
Fund Balance, July 1	<u>770,802</u>		<u>770,802</u>	<u>770,802</u>	
Fund Balance, June 30	<u>\$ 770,802</u>	<u>\$ (681,863)</u>	<u>\$ 88,939</u>	<u>\$ 1,531,416</u>	<u>\$ 1,442,477</u>
Recapitulation:					
Assigned for Encumbrances				\$ 115,957	
Restricted for Charter School Escrow				75,000	
Unassigned				<u>1,340,459</u>	
Fund Balance per Governmental Funds GAAP/Budgetary Basis				<u>\$ 1,531,416</u>	

M.E.T.S. CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources		\$ 600	\$ 600	\$ 600	
Federal Sources	\$ 403,069	311,885	714,954	655,005	\$ (59,949)
Total Revenue	403,069	312,485	715,554	655,605	(59,949)
Expenditures:					
Instruction:					
Salaries	129,784	97,125	226,909	207,020	19,889
Purchased Professional/Technical Services	197,921	(106,646)	91,275	91,275	
General Supplies	32,231	256,044	288,275	269,001	19,274
Total Instruction	359,936	246,523	606,459	567,296	39,163
Support Services:					
Salaries	6,353	2,577	8,930	6,000	2,930
Personal Services - Employee Benefits	36,780	25,344	62,124	62,124	
Purchased Technical Services		37,441	37,441	19,585	17,856
Other Objects		600	600	600	
Total Support Services	43,133	65,962	109,095	88,309	20,786
Total Expenditures	403,069	312,485	715,554	655,605	59,949
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

M.E.T.S. CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	<u>\$ 10,154,701</u>	<u>\$ 655,005</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u><u>\$ 10,154,701</u></u>	<u><u>\$ 655,005</u></u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 9,394,087</u>	<u>\$ 655,605</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 9,394,087</u></u>	<u><u>\$ 655,605</u></u>

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year end.

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

M.E.T.S. CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act		IDEA Part B Basic	Charter School Expansion Grant	Local Grants	Totals June 30, 2018
	Title I	Title II Part A				
REVENUE:						
Local Sources					\$ 600	\$ 600
Federal Sources	\$ 392,542	\$ 19,585	\$ 92,878	\$ 150,000		\$ 655,005
Total Revenue	392,542	19,585	92,878	150,000	600	655,605
EXPENDITURES:						
Instruction:						
Salaries	136,391		70,629			207,020
Purchased Professional/Technical Services	91,275					91,275
General Supplies	119,001			150,000		269,001
Total Instruction	346,667		70,629	150,000		567,296
Support Services:						
Salaries	6,000					6,000
Personal Services - Employee Benefits	39,875		22,249			62,124
Purchased Technical Services		19,585				19,585
Other Objects					600	600
Total Support Services	45,875	19,585	22,249		600	88,309
Total Expenditures	\$ 392,542	\$ 19,585	\$ 92,878	\$ 150,000	\$ 600	\$ 655,605

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS
(NOT APPLICABLE)

FIDUCIARY FUNDS

M.E.T.S. CHARTER SCHOOL
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Payroll Agency</u>	<u>Student Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 86,054	\$ 32,509	\$ 118,563
Interfund Receivable:			
General Fund	201		201
Total Assets	<u>\$ 86,255</u>	<u>\$ 32,509</u>	<u>\$ 118,764</u>
<u>LIABILITIES:</u>			
Due to Student Groups		\$ 32,509	\$ 32,509
Unemployment Trust Fund	\$ 23,749		23,749
Payroll Deductions and Withholdings	62,506		62,506
Total Liabilities	<u>\$ 86,255</u>	<u>\$ 32,509</u>	<u>\$ 118,764</u>

M.E.T.S. CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 33,891	\$ 52,220	\$ 53,602	\$ 32,509
Total Assets	<u>\$ 33,891</u>	<u>\$ 52,220</u>	<u>\$ 53,602</u>	<u>\$ 32,509</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 29,155	\$ 52,220	\$ 48,866	\$ 32,509
Interfund Payable:				
General Fund	<u>4,736</u>		<u>4,736</u>	
Total Liabilities	<u>\$ 33,891</u>	<u>\$ 52,220</u>	<u>\$ 53,602</u>	<u>\$ 32,509</u>

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
M.E.T.S. Charter School: Student Account	\$ 33,891	\$ 52,220	\$ 53,602	\$ 32,509
Total	<u>\$ 33,891</u>	<u>\$ 52,220</u>	<u>\$ 53,602</u>	<u>\$ 32,509</u>

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 122,739	\$ 5,327,374	\$ 5,364,059	\$ 86,054
Interfund Receivable: General Fund		201		201
Total Assets	<u>\$ 122,739</u>	<u>\$ 5,327,575</u>	<u>\$ 5,364,059</u>	<u>\$ 86,255</u>
 <u>LIABILITIES:</u>				
Interfund Payable: General Fund	\$ 1,355		\$ 1,355	
Unemployment Trust Fund	23,749	\$ 23,043	23,043	\$ 23,749
Payroll Deductions and Withholdings	97,635	5,304,532.00	5,339,661	62,506
Total Liabilities	<u>\$ 122,739</u>	<u>\$ 5,327,575</u>	<u>\$ 5,364,059</u>	<u>\$ 86,255</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-21

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

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

	June 30,						
	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:							
Net Investment in Capital Assets					\$ 81,562	\$ 81,562	\$ 69,877
Restricted					25,000	50,000	75,000
Unrestricted	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	289,520	192,826	771,742
Total Governmental Activities Net Position	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	\$ 396,082	\$ 324,388	\$ 916,619
Entity-Wide:							
Net Investment in Capital Assets					\$ 81,562	\$ 81,562	\$ 69,877
Restricted					25,000	50,000	75,000
Unrestricted	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	289,520	192,826	771,742
Total Entity Net Position	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	\$ 396,082	\$ 324,388	\$ 916,619

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

Source: Charter School Financial Reports

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

	June 30,						
	2012	2013	2014	2015	2016	2017	2018
Expenses:							
Governmental Activities							
Instruction:							
Regular	\$ 959,878	\$ 1,623,232	\$ 2,524,476	\$ 3,487,818	\$ 4,785,337	\$ 5,258,888	\$ 6,709,171
Special Education	56,164			151,437	151,437	170,110	277,243
Other Instruction				47,837	47,837	122,868	146,909
Support Services:							
Instruction	442,353	739,503					
Student and Instruction Related Services			1,767,674	1,525,950			410,235
General Administrative Services	375,495	453,209	1,593,819	1,478,885	1,069,737	1,443,435	1,561,067
School Administrative Services	251,437	525,672			1,307,534	820,759	425,667
Central Services	1,896						
Plant Operations and Maintenance	762,902	978,562			831,676	1,099,104	1,795,277
Pupil Transportation	1,428	3,671			38,622	56,217	189,066
Unallocated Benefits	156,567	575,439					
TPAF Social Security	90,960	129,498					
Capital Outlay		64,945	87,797	261,545			
Total Governmental Activities Expenses	<u>3,099,080</u>	<u>5,093,731</u>	<u>5,973,766</u>	<u>6,754,198</u>	<u>8,232,180</u>	<u>8,971,381</u>	<u>11,514,635</u>
Total Entity Expenses	<u>\$ 3,099,080</u>	<u>\$ 5,093,731</u>	<u>\$ 5,973,766</u>	<u>\$ 6,754,198</u>	<u>\$ 8,232,180</u>	<u>\$ 8,971,381</u>	<u>\$ 11,514,635</u>
Program Revenues							
Governmental Activities:							
Operating Grants and Contributions	\$ 242,173	\$ 295,087	\$ 270,655	\$ 402,170	\$ 1,301,579	\$ 2,308,584	\$ 2,985,146
Total Governmental Activities Program Revenues	<u>242,173</u>	<u>295,087</u>	<u>270,655</u>	<u>402,170</u>	<u>1,301,579</u>	<u>2,308,584</u>	<u>2,985,146</u>
Total Entity Program Revenues	<u>\$ 242,173</u>	<u>\$ 295,087</u>	<u>\$ 270,655</u>	<u>\$ 402,170</u>	<u>\$ 1,301,579</u>	<u>\$ 2,308,584</u>	<u>\$ 2,985,146</u>

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

	June 30,						
	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue							
Governmental Activities	\$ (2,856,907)	\$ (4,798,644)	\$ (5,703,111)	\$ (6,352,028)	\$ (6,930,601)	\$ (6,662,797)	\$ (8,529,489)
Total Entity-wide Net Expense/Revenues	<u>\$ (2,856,907)</u>	<u>\$ (4,798,644)</u>	<u>\$ (5,703,111)</u>	<u>\$ (6,352,028)</u>	<u>\$ (6,930,601)</u>	<u>\$ (6,662,797)</u>	<u>\$ (8,529,489)</u>
General Revenues, Special Item and Other Changes in Net Position							
Governmental Activities:							
Local Property Taxes - Charter School Aid	729,992	1,069,176	1,473,539	82,079	1,578,505	1,569,459	2,055,688
Unrestricted Federal and State Aid	2,841,081	3,252,270	4,321,478	6,558,659	4,820,776	4,944,214	7,058,889
Special Item - Adjustment for Pension Treatment				(227,627)			
Investment Earnings					151	386	386
Miscellaneous Income	241	2,222	321,300	103,972	27,997	4,419	6,757
Total Governmental Activities	<u>3,571,314</u>	<u>4,323,668</u>	<u>6,116,317</u>	<u>6,517,083</u>	<u>6,427,429</u>	<u>6,518,478</u>	<u>9,121,720</u>
Total Entity-Wide	<u>\$ 3,571,314</u>	<u>\$ 4,323,668</u>	<u>\$ 6,116,317</u>	<u>\$ 6,517,083</u>	<u>\$ 6,427,429</u>	<u>\$ 6,518,478</u>	<u>\$ 9,121,720</u>
Change in Net Position:							
Governmental Activities	\$ 714,407	\$ (474,976)	\$ 413,206	\$ 165,055	\$ (503,172)	\$ (144,319)	\$ 592,231
Total Entity	<u>\$ 714,407</u>	<u>\$ (474,976)</u>	<u>\$ 413,206</u>	<u>\$ 165,055</u>	<u>\$ (503,172)</u>	<u>\$ (144,319)</u>	<u>\$ 592,231</u>

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

Source: Charter School Financial Reports

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

	Fiscal Year Ending June 30,						
	2012	2013	2014	2015	2016	2017	2018
General Fund:							
Restricted					\$ 25,000	\$ 50,000	\$ 75,000
Assigned					21,517		115,957
Unassigned	\$ 714,407	\$ 239,431	\$ 652,637	\$ 1,045,319	654,447	720,802	1,340,459
Total General Fund	<u>714,407</u>	<u>239,431</u>	<u>652,637</u>	<u>1,045,319</u>	<u>700,964</u>	<u>770,802</u>	<u>1,531,416</u>
Total All Governmental Funds	<u>\$ 714,407</u>	<u>\$ 239,431</u>	<u>\$ 652,637</u>	<u>\$ 1,045,319</u>	<u>\$ 700,964</u>	<u>\$ 770,802</u>	<u>\$ 1,531,416</u>

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

Source: Charter School Financial Reports

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

	Fiscal Year Ending June 30,						
	2012	2013	2014	2015	2016	2017	2018
Revenues:							
Tax Levy (Charter School Aid)	\$ 729,992	\$ 1,069,176	\$ 1,473,539	\$ 89,579	\$ 1,578,505	\$ 1,569,459	\$ 2,055,688
Miscellaneous	241	2,222	321,300	103,972	28,148	4,805	7,743
State Sources	2,932,041	3,252,270	4,321,478	6,558,659	5,047,452	5,703,273	8,091,870
Federal Sources	151,213	295,087	270,655	394,670	717,895	700,384	655,005
Total Revenue	3,813,487	4,618,755	6,386,972	7,146,880	7,372,000	7,977,921	10,810,306
Expenditures:							
Instruction:							
Regular Instruction	953,821	1,623,232	2,524,476	3,487,818	3,354,247	3,238,781	4,007,667
Special Education Instruction	56,164				127,526	135,860	189,998
Support Services:							
Student & Instruction Related Services					40,186	97,473	429,693
General Administration Services	442,353	1,192,712	1,593,819	1,478,885	956,656	1,219,713	1,238,924
School Administrative services	375,495				1,016,468	519,089	294,384
Other Support Services	1,271,247	2,212,842	1,767,674	1,525,950			
Custodial Services					831,676	1,039,355	1,660,683
Student Transportation Services					38,622	56,217	189,066
Plant Operations and Maintenance							115,630
Unallocated Benefits					1,350,974	1,599,537	1,923,647
Capital Outlay		64,945	87,797	261,545		2,058	
Total Expenditures	3,099,080	5,093,731	5,973,766	6,754,198	7,716,355	7,908,083	10,049,692
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	714,407	(474,976)	413,206	392,682	(344,355)	69,838	760,614
Net Change In Fund Balances	\$ 714,407	\$ (474,976)	\$ 413,206	\$ 392,682	\$ (344,355)	\$ 69,838	\$ 760,614
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Source: Charter School Financial Reports

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

Fiscal Year Ended June 30,	Local Levy - Charter School Aid	Other	Total
2012	\$ 729,992	\$ 241	\$ 730,233
2013	1,069,176	2,222	1,071,398
2014	1,473,539	20,178	1,493,717
2015	82,079	103,972	186,051
2016	2,055,688	28,148	2,083,836
2017	1,569,459	4,805	1,574,264
2018	2,055,688	7,143	2,062,831

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

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

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

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction:							
Regular	14.5	27.0	33.0	42.5	47.5	37.0	46.0
Special Education	1.0	3.5	4.0	3.0	3.0	2.0	2.0
Other Instruction	2.0	2.0	3.0	3.0	11.0	4.0	4.0
Support Services:							
Student & Instruction Related Services		2.0	2.5	3.5	3.5	3.0	4.0
School Administrative Services	2.0	1.5	3.0	2.0	4.0	5.0	12.0
General and Business Administrative Services	2.0	2.0	3.5	2.0	2.0	3.0	3.0
Administrative Information Technology	1.0	1.0	2.0	1.0	1.0	2.0	3.0
Plant Operations and Maintenance	5.0	6.5	7.0	9.0	0.5	7.0	7.0
Other Support Services	1.0	3.0	2.0	4.5	6.0	9.0	5.0
Total	<u>28.5</u>	<u>48.5</u>	<u>60.0</u>	<u>70.5</u>	<u>78.5</u>	<u>72.0</u>	<u>86.0</u>

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

Source: Charter School Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^b	Percent Change	Teaching Staff ^c	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change Average Daily Enrollment	Student Attendance Percentage
2012	320.0	\$ 3,008,120	\$ 9,400	N/A	22.5	13.94	313.6	308.2	N/A	98.28%
2013	395.7	5,028,786	12,709	35.19%	32.5	12.18	395.7	380.6	26.18%	96.18%
2014	479.6	5,885,969	12,273	-3.43%	40.0	11.99	479.6	455.6	21.20%	95.00%
2015	523.2	6,492,653	12,410	1.12%	52.5	9.97	523.2	498.0	9.09%	95.18%
2016	479.2	7,716,355	16,103	29.76%	53.5	8.96	479.2	457.6	-8.41%	95.49%
2017	512.0	7,906,025	15,441	-4.11%	43.0	11.73	504.5	478.2	5.28%	94.79%
2018	664.0	10,049,692	15,135	-1.98%	52.0	13.64	709.3	660.3	40.59%	93.09%

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

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

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

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

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

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

Source: Charter School Business Office

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

	2012	2013	2014	2015	2016	2017	2018
<u>Building</u>							
Jersey City School Building							
Square Feet	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Capacity (students)	600	600	600	600	600	600	600
Enrollment	320	396	480	523	476	512	478
Newark School Building							
Square Feet							24,343
Capacity (students)							250
Enrollment							197

Number of Schools at June 30, 2018
 Charter School (6-12) = 2

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

Source: Charter School Business Office

M.E.T.S. CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy: NJSIG		
Property Blanket Building & Contents	\$ 450,000,000	\$ 1,000
Insured TIV (Contents only)	500,000	
Comprehensive General Liability	11,000,000	
Comprehensive Auto Liability (Hired-Non Owned)	11,000,000	
Comprehensive Inland Marine Coverage	Various	
Board of Education Legal Liability	11,000,000	5,000
Crime Coverage (Employee Dishonesty)	1,000,000	1,000
Umbrella Liability (NJSIG)	Included in limits above	
Boiler and Machinery (NJSIG)	100,000,000	1,000
Workers Compensation (NJSIG)	Statutory	
Employers Liability	2,000,000	
Public Official Bond - NJSIG		
School Business Administrator/Board Secretary	200,000	

M.E.T.S. CHARTER SCHOOL
FINANCIAL PERFORMANCE
JUNE 30, 2018
UNAUDITED

	2012	2013	2014	2015	2016	2017	2018
Cash	\$ 603,225	\$ 258,105	\$ 697,350	\$ 865,983	\$ 636,858	\$ 710,683	\$ 1,420,948
Current Assets	111,182	102,820	526,510	731,586	309,841	372,923	772,736
Total Assets	714,407	360,925	1,223,860	1,597,569	946,699	1,083,606	2,193,684
Deferred Outflows of Resources				329,420	355,646	861,159	590,803
Current Liabilities		121,494	571,223	552,250	282,138	259,819	711,272
Long-Term Liabilities				525,717	596,199	1,280,433	738,847
Total Liabilities		121,494	571,223	1,077,967	878,337	1,540,252	1,450,119
Deferred Inflows of Resources				31,330	109,488	80,125	409,278
Net Position	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	\$ 314,520	\$ 324,388	\$ 925,090
Total Revenue	\$ 3,813,487	\$ 4,618,755	\$ 6,386,972	\$ 7,723,295	\$ 7,729,008	\$ 8,834,939	\$ 11,569,987
Total Expenses	3,099,080	5,093,731	5,973,706	7,558,240	8,232,180	8,979,258	10,899,408
Change in Net Position/(Deficit)	\$ 714,407	\$ (474,976)	\$ 413,266	\$ 165,055	\$ (503,172)	\$ (144,319)	\$ 670,579
Depreciation Expense	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Expense	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Principal Payments	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Payments	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Final Average Daily Enrollment	314	381	480	523	479	505	709
March 30th Budgeted Enrollment	N/A	N/A	N/A	N/A	479	505	709
	2012	2013	2014	2015	2016	2017	2017
Near Term Indicators:							
Current Ratio	N/A	N/A	N/A	N/A	0.52	0.29	1.09
Unrestricted Days Cash	308.20	261.02	207.98	197.85	245.54	239.39	236.43
Enrollment Variance	N/A	N/A	N/A	N/A	100%	100%	1.00
Default	No	No	No	No	No	No	No
Sustainability Indicators:							
Total Margin	19%	-10%	6%	2%	-7%	-2%	6%
Debt to Asset	0.00	0.34	0.47	0.67	0.93	1.42	0.66
Cash Flow	N/A	(345,120)	439,245	168,633	(229,125)	73,825	710,265
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - Not Applicable

Source: Charter School Business Office

SINGLE AUDIT SECTION



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Report on Internal Control over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the M.E.T.S. Charter School of Jersey City (the "Charter School"), in the County of as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

The Charter School’s Response to the Finding

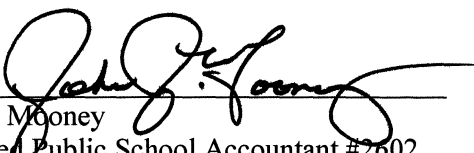
The Charter School’s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Charter School’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion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

Purpose of this Report

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

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP
NISIVOCCIA LLP



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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the M.E.T.S. Charter School of Jersey City (the "Charter School's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2018. The Charter School's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

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

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

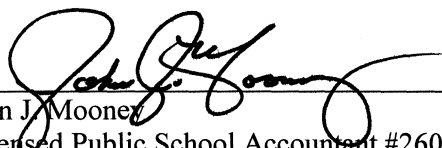
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

January 18, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP
NISIVOCIA LLP



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

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	July 1, 2017		Cash Received	Budgetary Expenditures	Returned to Grantor	June 30, 2018		
					Budgetary Accounts Receivable	Due to Grantor				Budgetary Accounts Receivable	Amount Provided to Subrecipients	
Special Revenue Fund:												
US Department of Education Passed-through State of New Jersey Department of Education:												
Special Education Cluster:												
IDEA- Part B, Basic	84.027	IDEA 6068-18	7/1/17-6/30/18	\$ 92,878			\$ 43,538	\$ (92,878)		\$ (49,340)		
IDEA- Part B, Basic	84.027	IDEA 6068-17	7/1/16-6/30/17	88,834	\$ (32,433)		32,433					
IDEA- Part B, Basic	84.027	IDEA 6068-14	9/1/13-8/31/14	67,124	\$4,133			\$ (4,133)				
Total Special Education Cluster					(32,433)	4,133	75,971	(92,878)	(4,133)	(49,340)		
Elementary and Secondary Education Act:												
Title I - Part A	84.010	ESEA 6068-18	7/1/17-6/30/18	420,135			145,916	(392,542)		(246,626)		
Title I - Part A	84.010	NCLB 6068-17	7/1/16-6/30/17	389,650	(132,670)		132,670					
Title I - Part A	84.010	NCLB 6068-14	9/1/13-8/31/14	67,124		420		(420)				
Title II	84.278	ESEA 6068-18	7/1/17-6/30/18	36,941				(19,585)		(19,585)		
Charter Expansion Competitive	N/A	18-E00065	7/1/17-6/30/18	150,000			150,000	(150,000)				
Passed-through Rutgers, The State University												
Teacher Incentive Fund	84.374	N/A	9/1/15-8/31/17	372,640	(57,303)		44,747			(12,556)		
Total U.S. Department of Education					(222,406)	4,553	549,304	(655,005)	(4,553)	(328,107)		
Total Federal Awards					(222,406)	\$4,553	\$549,304	\$ (655,005)	\$ (4,553)	\$ (328,107)	\$ - 0 -	

N/A - Not Applicable

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

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	July 1, 2017		June 30, 2018		MEMO
				Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures	Budgetary/GAAP Receivable	
State Department of Education:								
General Fund:								
Local Levy - State Share	17-495-034-5120-078	7/1/16-6/30/17	\$ 3,915,627	\$ (100,228)	\$ 100,228	\$ (6,512,924)	\$ (121,906)	\$ 3,915,627
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	169,887	(1,692)	1,692	(298,925)	(5,595)	169,887
Nonpublic Aid	17-999-999-9999-960	7/1/16-6/30/17	160,870	(10,335)	10,335	(247,040)	(4,624)	160,870
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	206,016	(9,653)	9,653	(483,760)	(91,237)	206,016
Local Levy - State Share	18-495-034-5120-078	7/01/17-6/30/18	6,512,924		6,391,018	(6,512,924)	\$ (121,906)	6,512,924
Special Education Aid	18-495-034-5120-089	7/01/17-6/30/18	298,925		293,330	(298,925)	(5,595)	298,925
Security Aid	18-495-034-5120-084	7/01/17-6/30/18	247,040		242,416	(247,040)	(4,624)	247,040
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/01/17-6/30/18	214,283		123,046	(214,283)	(91,237)	214,283
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/01/17-6/30/18	483,760		483,760	(483,760)		483,760
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/01/17-6/30/18	11,740		11,740	(11,740)		11,740
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/01/17-6/30/18	320,033		320,033	(320,033)		320,033
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/01/17-6/30/18	3,165		3,165	(3,165)		3,165
Total General Fund				<u>(121,908)</u>	<u>7,990,416</u>	<u>(8,091,870)</u>	<u>(223,362)</u>	<u>13,242,100</u>
Total State Awards Subject to Single Audit Determination				<u>\$ (121,908)</u>	<u>\$ 7,990,416</u>	<u>(8,091,870)</u>	<u>\$ (223,362)</u>	<u>\$ 13,242,100</u>
Less: State Awards Not Subject to Single Audit Major Program Determination								
On-Behalf TPAF Pension System Contributions:								
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/01/17-6/30/18	320,033			320,033		320,033
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/01/17-6/30/18	483,760			483,760		483,760
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/01/17-6/30/18	11,740			11,740		11,740
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/01/17-6/30/18	3,165			3,165		3,165
Subtotal - On-Behalf TPAF Pension System Contributions						<u>818,698</u>		<u>818,698</u>
Total State Awards Subject to Single Audit Major Program Determination								<u>\$ (7,273,172)</u>

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

M.E.T.S. CHARTER SCHOOL
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of M.E.T.S. Charter School (the "Charter School") under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The Charter School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from budgetary basis to the GAAP basis is \$-0- for the general fund and special revenue funds. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 8,091,870	\$ 8,091,870
Special Revenue Fund	\$ 655,005		655,005
	<u>\$ 655,005</u>	<u>\$ 8,091,870</u>	<u>\$ 8,746,875</u>

M.E.T.S. CHARTER SCHOOL
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the District as the capital assets in the governmental activities has not been recorded in the financial statements.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the Charter School which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the Charter School expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The Charter School was not subject to the single audit provisions of the Uniform Guidance for the fiscal year end June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Circular.
- The Charter School's programs tested as major state programs for the current fiscal year consisted of the following state aid:

<u>Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Local Levy - State Share	18-495-034-5120-078	7/01/17-6/30/18	\$ 6,512,924	\$ 6,512,924
Security Aid	18-495-034-5120-084	7/01/17-6/30/18	247,040	247,040
Special Education Aid	18-495-034-5120-089	7/01/17-6/30/18	298,925	298,925

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

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

M.E.T.S. CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

There were no prior year audit findings.