

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

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2018

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**And
Barre & Company LLC CPAs**

STATE BOARD OF EDUCATION

ARCELIO APONTE.....Middlesex
President

KATHY A. GOLDENBERG.....Burlington
Vice President

MARY BETH BERRYHunterdon

ELAINE BOBROVE.....Camden

FATIMAH BURNAM-WATKINSUnion

RONALD K BUTCHER.....Gloucester

JACK FORNAROWarren

MARY ELIZABETH GAZI.....Somerset

NEDD JAMES JOHNSON, ED. D.Salem

ERNEST P. LEPORE.....Hudson

ANDREW J. MULVIHILL.....Sussex

JOSEPH RICCA, JR., ED. D.....Morris

SYLVIA SYLVIA-CIOFFIMonmouth

**Dr. Lamont Repollet, Commissioner of Education
Secretary, State Board of Education**

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
TABLE OF CONTENTS**

	PAGE
INTRODUCTORY SECTION.....	1
Letter of Transmittal	2
Organizational Chart	11
Roster of Officials.....	12
Consultants and Advisors	13
FINANCIAL SECTION	14
Independent Auditor's Report	15
REQUIRED SUPPLEMENTARY INFORMATION – PART I.....	18
Management's Discussion and Analysis.....	19
BASIC FINANCIAL STATEMENTS	28
SECTION A – GOVERNMENT-WIDE FINANCIAL STATEMENTS.....	29
A-1 Statement of Net Position	30
A-2 Statement of Activities.....	31
SECTION B – FUND FINANCIAL STATEMENTS.....	32
GOVERNMENTAL FUNDS.....	33
B-1 Balance Sheet.....	34
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	35
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
PROPRIETARY FUNDS	37
B-4 Statement of Net Position	38
B-5 Statement of Revenues, Expenses, Changes in Net Position.....	39
B-6 Statement of Cash Flows	40
FIDUCIARY FUNDS.....	41
B-7 Statement of Fiduciary Net Position	42
B-8 Statement of Changes in Fiduciary Net Position.....	43
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	44

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
TABLE OF CONTENTS**

PAGE

FINANCIAL SECTION (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION – PART II	90
SECTION C – BUDGETARY COMPARISON SCHEDULES	91
C-1 Budgetary Comparison Schedule – General Fund.....	92
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	N/A
C-1b Community Development Block Grant – Budget and Actual.....	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	94
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	95
C-3 Budget-to-GAAP Reconciliation	96
REQUIRED SUPPLEMENTARY INFORMATION – PART III	97
SECTION L – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR TPAF AND PERS AND CHARTER SCHOOL’S PERS CONTRIBUTIONS	98
L-1 Schedules of the Charter School’s Proportionate Share of the Net Pension Liability - PERS	99
L-2 Schedules of Charter School Contributions - PERS.....	100
L-3 Schedules of the Charter School’s Proportionate Share of the Net Pension Liability - TPAF	101
SECTION M – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR TPAF AND PERS	102
M-1 Schedules of Changes in the Charter School’s Proportionate Share of Total OPEB Liability and Related Ratios – TPAF and PERS.....	103
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III	104
OTHER SUPPLEMENTARY INFORMATION	107
SECTION D – SCHOOL BASED BUDGET SCHEDULES	N/A
D-1 Combining Balance Sheet.....	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
TABLE OF CONTENTS**

PAGE

FINANCIAL SECTION (CONTINUED)

SECTION E – SPECIAL REVENUE FUND..... 108

- E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis 109
- E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis N/A

SECTION F – CAPITAL PROJECTS FUND..... N/A

- F-1 Summary Schedule of Project Expenditures N/A
- F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund
Balance – Budgetary Basis N/A
- F-2(x) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project
Status – Budgetary Basis N/A

SECTION G – PROPRIETARY FUNDS..... 110

ENTERPRISE FUND..... N/A

- G-1 Combining Schedule of Net Position N/A
- G-2 Combining Schedule of Revenues, Expenses, and Changes in Net Position N/A
- G-3 Combining Schedule of Cash Flows N/A

INTERNAL SERVICE FUND..... N/A

- G-4 Combining Schedule of Net Position N/A
- G-5 Combining Schedule of Revenues, Expenses, and Changes in Net Position N/A
- G-6 Combining Schedule of Cash Flows N/A

SECTION H – FIDUCIARY FUNDS 111

- H-1 Combining Statement of Fiduciary Net Position 112
- H-2 Combining Statement of Changes in Fiduciary Net Position 113
- H-3 Student Activity Fund – Schedule of Receipts and Disbursements 114
- H-4 Payroll Agency Fund – Schedule of Receipts and Disbursements 115

SECTION I – LONG-TERM DEBT SCHEDULES N/A

- I-1 Schedule of Serial Bonds N/A
- I-2 Schedule of Obligations under Capital Leases N/A
- I-3 Debt Service Fund Budgetary Comparison Schedule N/A

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
TABLE OF CONTENTS**

	PAGE
STATISTICAL SECTION (UNAUDITED)	116
INTRODUCTION TO THE STATISTICAL SECTION	117
FINANCIAL TRENDS.....	118
J-1 Net Assets/Position by Component.....	119
J-2 Changes in Net Assets/Position	120
J-3 Fund Balances – Governmental Funds.....	121
J-4 Changes in Fund Balances – Governmental Funds.....	122
J-5 General Fund Other Local Revenue by Source	123
REVENUE CAPACITY**	N/A
J-6 Assessed Value and Estimated Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates.....	N/A
J-8 Principal Property Taxpayers*	N/A
J-9 Property Tax Levies and Collections	N/A
DEBT CAPACITY.....	N/A
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of General Bonded Debt Outstanding**	N/A
J-12 Direct and Overlapping Governmental Activities Debt**	N/A
J-13 Legal Debt Margin Information**	N/A
DEMOGRAPHIC AND ECONOMIC INFORMATION	N/A
J-14 Demographic and Economic Statistics.....	N/A
J-15 Principal Employers.....	N/A
OPERATING INFORMATION	124
J-16 Full-Time Equivalent Charter School Employees by Function/Program.....	125
J-17 Operating Statistics	126
J-18 School Building Information.....	127
J-19 Schedule of Required Maintenance Expenditures by School Facility.....	N/A
J-20 Insurance Schedule.....	128
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios	147

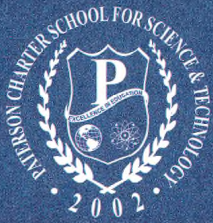
*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

**Not Applicable to Charter Schools

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
TABLE OF CONTENTS**

	PAGE
SINGLE AUDIT SECTION	148
K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	149
K-2 Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	151
K-3 Schedule of Expenditures of Federal Awards – Schedule A	154
K-4 Schedule of Awards of State Financial Assistance – Schedule B	155
K-5 Notes to Schedules of Expenditures of Awards and Financial Assistance	156
K-6 Schedule of Findings and Questioned Costs-Summary of Auditor’s Results	159
K-7 Schedule of Findings and Questioned Costs-Current Year Findings and Questioned Costs	161
K-8 Summary Schedule of Prior Audit Findings and Questioned Costs as Prepared by Management	163

INTRODUCTORY SECTION



K-6 Campus
7-12 Campus

PATERSON CHARTER SCHOOL FOR SCIENCE & TECHNOLOGY

276 Wabash Avenue, Paterson, NJ 07503 P 973-345-4400 F 973-345-4636
196 W. Railway Avenue, Paterson, NJ 07503 P 973-247-0600 F 973-247-9924

www.pcsst.org

February 28, 2019

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

Dear Board Members and Constituents:

The comprehensive annual financial report of the Paterson Charter School for Science and Technology (the "Charter School") for the fiscal year ended June 30, 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 various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principle Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section – the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

PCSST Executive Summary

In Early 2000, concerned parents and individuals established a founding board for a proposed charter school with a science and technology focus to serve students in the city of Paterson.

The founding board for Paterson Charter School for Science and Technology (PCSST) was granted its initial charter in 2001. Due to facility issues, the school's opening was delayed for one year. In September 2003, PCSST opened its doors to 178 students in grades 6, 7 and 9 at our first location on Mill Street.

Initially, and during its first two years of operation, PCSST was located at 5-7 Mill Street in Paterson. The Mill Street location was an old and narrow, four-story 11,000 square-foot silk factory, and not an ideal facility for a school. The building's space constraints prevented the school from offering students a gym or lunchroom and provided little to no opportunity for grade level expansion or student population growth.

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

PCSST received its first renewal in 2007. Soon thereafter, and at the request of Paterson community stakeholders, the PCSST Board of Trustees submitted an amended proposal to the NJ Department of Education in October 2008, to offer elementary education. PCSST was granted approval from the Department of Education to add grades K-5 in 2009. The following year, PCSST welcomed 180 students in grades two through five at 765 14th Avenue, the site of a former elementary school building in Paterson. At the start of the 2011-2012 academic year, the elementary campus moved to the Wabash Avenue campus, adding kindergarten and first grades, and the 7-12 campus moved to a former high school building located at 764 11th Avenue in Paterson.

PCSST received its second renewal in 2012. The following year, our high school went through the accreditation process with the Middle States Association and was granted Accreditation for Growth, a seven-year accreditation.

PCSST's facility challenge did not resolve at the 11th Avenue building. After three years, a long-term lease was not guaranteed, which forced the school to look for long-term solutions. Finally, grades 7-12 moved to an 87,200 square-foot building located at 196 West Railway Avenue in the fall of 2014. The West Railway Avenue location was originally a warehouse, converted into a school by the landlord, which was leased for a long-term home, like the Wabash Avenue building.

PCSST students started to receive Ivy League College acceptances in 2014, starting with Cornell University. This continued in 2015, with an acceptance and full scholarship to Princeton University. Ivy League acceptances have continued every year.

PCSST received its third renewal and granted an expansion in 2017 to serve an additional 516 students over the following 5 years. This expansion resulted in the relocation of our kindergarten and first grade, to our new third campus located on Main Street in downtown Paterson. This location opened in September 2017, with 280 students.

PCSST established its athletic program in 2012, with students participating in Soccer, Volleyball, Cross Country, Basketball, Bowling, Baseball and Softball Varsity leagues. PCSST athletes have been showing great sportsmanship at their games; as a result, PCSST received the NJSIAA Sportsmanship Award in 2017. Our Boys Varsity Basketball Team earned their first title as NJIC Meadowlands Division Champion in 2017.

PCSST established its JROTC program in 2010. Since its inception, the program has been a major contributing force to the school. The PCSST JROTC Female Raiders Team attended and won the 2nd Brigade Championship in 2017. The PCSST JROTC Advanced team won the 2nd Brigade Academic Bowl in 2018. Just a week ago, the PCSST JROTC Battalion Commander received school's first ever acceptance to West Point Military Academy.

Since its inception, PCSST has enjoyed broad-based support from parents, students and the Paterson community at-large. As a result, the school has had to wait-list students for every academic year, except our first. Last year alone, there were over 1750 applications for enrollment.

Applications for enrollment for the 2019-20 school-year were opened on September 17, 2018, and as of November 26, 1036 applications were received.

1. REPORTING ENTITY AND ITS SERVICES: Paterson Charter School for Science and Technology is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds of the Charter School are included in this report. Paterson Charter School for Science and Technology Board of Trustees constitutes the Charter School's reporting entity. Paterson Charter School for Science and Technology provides a full range of educational services appropriate to Grades K – 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2017-2018 school year with an enrollment of 1,386 students. The following details the changes in the student enrollment of the Charter School over the last five years.

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-2018	1386.20	22.95%
2016-2017	1068.00	0.48%
2015-2016	1062.90	1.44%
2014-2015	1047.60	1.29%
2013-2014	1034.10	-0.86%

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

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

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

Research indicates students perform better when they have a healthy breakfast. The school day begins with a morning breakfast program to start the students' day on a healthy note. In our K-1 Campus with the school wide breakfast in the classroom program 80% of students participated in the breakfast and 88% of students participated in lunch and in 2-6 Campus, it is 70% for breakfast and 82% for lunch programs. In 7- 12 Campus on average 46% of students participate in the breakfast program and 70% of the students participates in the lunch program. Although free/reduced meal eligibility rate is 84%, all students have access to free meal through CEP (Community Eligibility Provision) program.

Special Education Services at PCSST

PCSST has a special education program in place for all students who are identified as eligible through child study team evaluations. IEPs are developed for each student who is eligible for special education and related services. To accomplish this, PCSST has a full time Child Study Team as well as contracted service providers from The Northern Region Educational Service Commission. This ensures that initial evaluations are conducted in timely manner for all students who are referred for special education services and that students who become eligible may receive appropriate services.

The range of special services provided by PCSST is based on the student's IEP. Philosophically, and in accordance with NJ Special Education Code, PCSST makes every attempt to keep students in the Least Restrictive Environment. Therefore, an in-Class Support program where the students are supported in the general education classroom by a general education teacher and a special education teacher is our preferred option to serve students. In an In-class support program, certified special education teachers are teamed with general education teachers in a co-teaching environment to support students in core subjects such as English, Math, Science, and Social Studies. Students may also be supported in elective courses or during specials if the IEP indicates a need.

Additionally, special education aides are provided for students who need one-on-one behavior, social, organizational, and academic support. For students who are not able to function successfully in an in-class support program, the school provides a Resource Replacement program for English and Math where certified special education teachers pull out students for content instruction in Math and/or ELA.

Related services such as Speech/Language, Occupational Therapy, Physical Therapy, Behavior Intervention, and individual or group Counseling are also available for students based on their identified needs in the IEP.

An out-of-district placements is also considered for students who don't benefit from the programs and supports provided at PCSST and who need more specialized and targeted programs that are offered in private schools for students with disabilities.

Each student with an IEP who receives special services has at least an annual IEP review meeting and a three-year reevaluation process to ensure that his/her needs are met with an appropriate educational program.

Services for English Language Learners (ELLs)

PCSST has a High Intensity ESL Program. All students in K-12 who are identified as English Language Learners (ELLs) based on an NJDOE-approved English Language Proficiency Test and other multiple criteria , receive a minimum of 2 periods of daily ESL Instruction. ELLs participate in an ESL pull-out program and/or an ESL Inclusion program to develop their English social and academic language proficiency. Certified ESL teachers provide ESL instruction to ELLs on daily basis. Additionally all general education teachers are trained annually on ESL strategies for content area instruction. Furthermore, supplemental ESL services are provided through ESL after school tutoring programs or ESL Saturday Tutoring programs to students who need supplemental support. Students who score a 4.5 or above on the online Access for ELLs 2.0 Test and who meet other multiple criteria are exited from the ESL program and monitored for two more additional years in the general education setting.

Education Program

Academic Performance

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

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

PCSST offers support to students at all grade levels. The Elementary campus has a Reading Specialist to assist primary grade students through a Reading Recovery program. She also provides ongoing literacy PDs to teachers at all grade levels to ensure proper implementation of all components of the balanced literacy approach. At the elementary level, there is an extended day period for Re-teaching and tutoring of failing and other At-Risk students. Both the elementary and high school utilize Title I funds to support a Basic Skills program that allows for both in-class and pull-out instruction to support struggling and at-risk students in any grade level. High school students have an Intervention period built into the schedule four days a week to promote the philosophy that, "Failure is Not an Option." Any student failing a subject or assessment or is not yet meeting a required standard for their grade level is required to work with their teacher to improve their grade and help them master the skills necessary for success.

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

Key design elements implemented at PCSST are apparent in the integration of technology, the focus on science, and the use of best practices in data collection and PLC usage. Every classroom is equipped with a SmartBoard to allow for interactive use of the technology during every lesson. Teachers are all provided with laptop computers to create and manage their lessons. Every process is enhanced with the use of technology if available, particularly in communication with parents, students and staff. Google Tools are used extensively by the staff to share documents and resources. All grades in 3-12 are now in a one-to-one device environment making the school virtually paperless and allowing electronic distribution and collection of assignments. Assessment is conducted in an electronic environment. In addition to the PARCC assessments, PCSST also uses another technology based benchmark assessment called Linkit. Exams will be conducted completely in an electronic environment in 2018-19.

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

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

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

The educational program focuses in the elementary grades on development and building of foundational skills in math, science, reading, writing, and all other content areas. PCSST elementary utilizes a balanced literacy approach in grades K-3. Read aloud, shared reading, interactive reading, independent reading, writing workshop, and word study are combined with learning centers and guided reading and writing in all Language Arts classes across all grades in K-6. In math and science students experience hands-on learning through manipulatives, project-based, and inquiry based approaches that help them extend and apply their mathematical and science learning in various authentic ways. Graduation requirements exceed

those set by the state with extra Science and Math courses required of PCSST students. A total of 138.5 credits is required for graduation.

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

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

When looking at our district wide assessment data, we do see growth in numerous grade level cohorts from year to year. For the 2017-18 school year we saw growth in ELA cohorts in grades 4, 5, 6, & 10. We saw growth in Math cohorts in grades, 5, 6, & 8. We saw grade level achievement growth in ELA in grades 3, 4, 5, 6, 8, & 10. In math we saw grade level achievement growth in grade 3, 4, 5, 7, 8 & Algebra I. We have seen growth in across the district as a result of many factors. The switch to standards based grading in grades K-6 helped better prepare our students for rigorous state assessments. In addition, the implementation of a school wide math program allowed for friendly competition amongst the students to practice their math skills. The district wide implementation of Linkit allowed for students to participate in PARCC practice assessments that modeled the real test. This also helped teachers with data analysis and data driven instruction. The use of Math and ELA coaches across the district also helped teachers adjust their instruction to better prepare students for standardized tests. Summer and Saturday programs were utilized to help students meet the standards and ensure they are working at grade level.

Reasons for lack of improvement across the district include teacher turn over, an influx of new students from out of district, and students working below grade level. In order to try and fix these problems the district will be a full time Math and ELA coach. An extended school year program has been implemented for special education and ELL students. Basic skills courses and after school tutoring programs will also be implemented during the 2018-19 school year.

All students can participate in all academic or extracurricular programs regardless of classification or status. These include a variety of field trip opportunities for cultural enrichment such as trips to Montreal, Boston, Washington DC, or participation in the World is Our Classroom program with destinations such as England, Italy & Greece, Costa Rica or China. Furthermore, service learning projects have taken place in Haiti for the past few years and will expand to Puerto Rico in the Spring of 2019. The College Coaching Program offers opportunities for students to visit college campuses and be exposed to the climate and culture

of higher education. Each grade level or department uses field trips to provide students with cultural or content related experiences.

PCSST continued its Ivy League College acceptance tradition with another Cornell Acceptance by the class of 2018. PCSST seniors over last five years received three Cornell and one Princeton Acceptance.

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

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

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

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

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

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

7. OTHER INFORMATION:

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

8. ANTI-BULLYING: On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members. Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation and bullying prevention in each professional development period. PCSST has hired a district level HIB coordinator on September 1, 2011. Building level HIB specialists are also assigned per building received adequate training. In 2017-2018, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

Respectfully submitted,

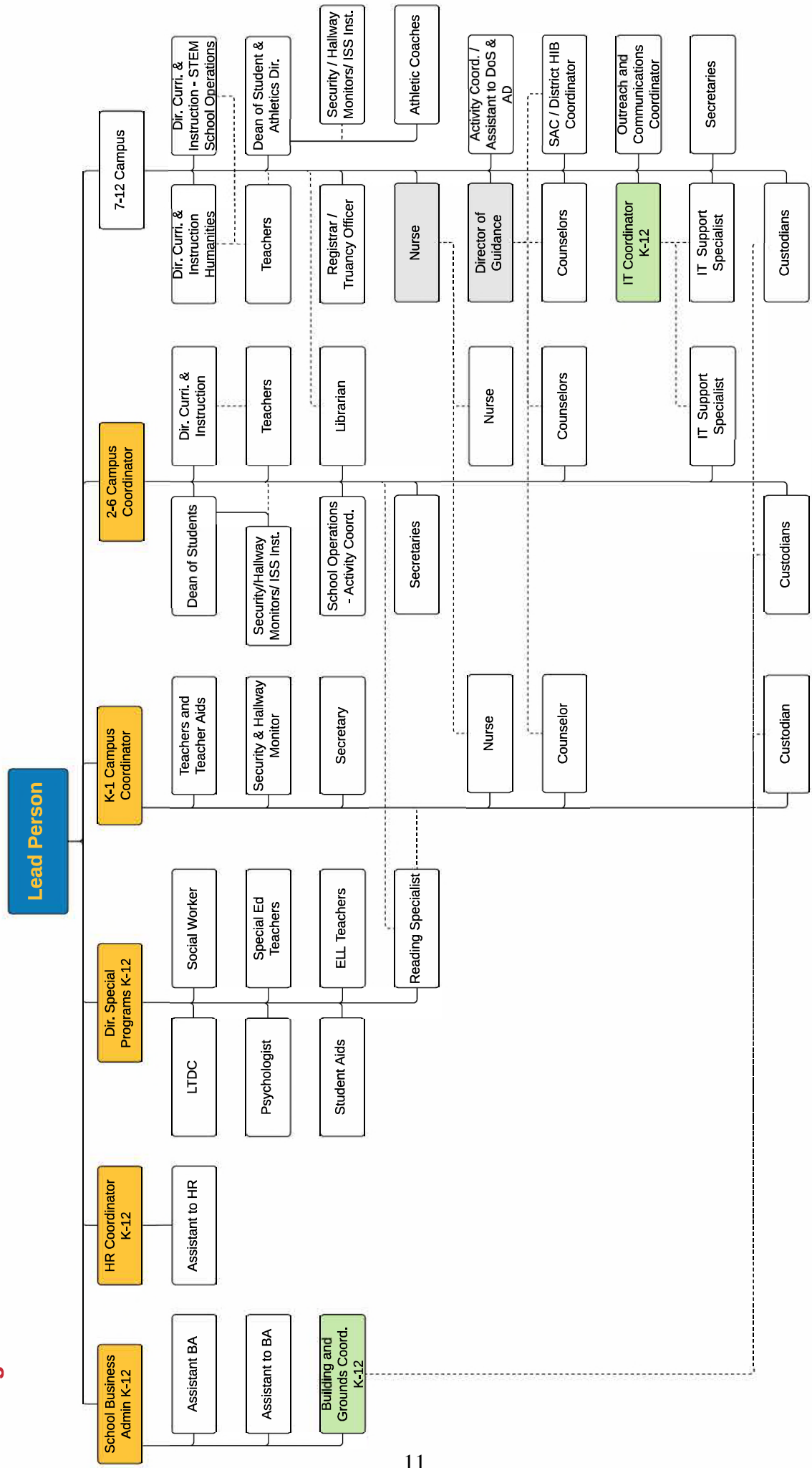


A. Riza Gurcanli
Lead Person



Matt A. Anar
Business Administrator/Board Secretary

PCSST 2017-18 Organizational Chart



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

**ROSTER OF OFFICIALS
JUNE 30, 2018**

Members of the Board of Trustees

Position

Ayhan Koroglu

President

Verna Brown

Vice President

Erkan Yildiz

Member

Other Officials

A. Riza Gurcanli

Lead Person

Matt A. Anar

Business Administrator/
Board Secretary

Mursel Gunes

2-6 School Coordinator

Krishana Scott

K-1 School Coordinator

Christopher M. Lessard

Treasurer

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

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

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

Official Depository

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

FINANCIAL SECTION

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

Independent Auditor’s Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 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

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

Auditor’s Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, as of June 30, 2018, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the basic financial statements, the Charter School 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, Budgetary Comparison Information and Charter School’s Proportionate Share of the Net Pension Liability for TPAF and PERS and Charter School’s PERS Contributions, Charter School’s Proportionate Share of the Net OPEB Liability for TPAF and PERS, and the related notes starting on pages 19, 91, 97, and 102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School’s basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative*

Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey 's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

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

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

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated February 28, 2019 on our consideration of the Paterson Charter School for Science and Technology's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountant


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

Union, New Jersey
February 28, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The discussion and analysis of Paterson Charter School for Science and Technology's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- ❖ General revenues accounted for \$23,868,404 in revenues or 94% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,494,597 or 6% percent of total revenues of \$25,363,001.
- ❖ The Charter School had \$23,305,265 in expenses; only \$1,494,597 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$23,868,404 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$21,150,223 in revenues and \$18,808,242 in expenditures. The General Fund's fund balance increased \$2,341,981 over 2017. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Government-Wide Financial Statements

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Funds

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

The Charter School as Trustee

Reporting the Charter School's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

Other Information

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

The Charter School as a Whole

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

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

The Charter School's combined net position were (\$173,737) for 2018 and (\$2,065,982) for 2017.

Governmental Activities

The Charter School's total revenues were \$24,360,398 for the year ended June 30, 2018 and \$17,401,342 for 2017. Federal, state, and local grants and state aid accounted for 92% for 2018 and 91% for 2017 of revenues which includes \$2,099,822 for 2018 and \$1,781,272 for 2017 of state reimbursed TPAF social security contributions and on-behalf TPAF pension, post-retirement medical, and long-term disability insurance contributions.

The total cost of all program and services was \$21,869,617 for 2018 and \$17,207,517 for 2017. Instruction comprises 48% for 2018 and 55% for 2017 of Charter School expenses.

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Business-Type Activities

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

- ❖ Food service revenues exceeded expenses by \$59,977 for 2018 and expenses exceeded revenues by \$29,635 for 2017.
- ❖ Charges for services represent \$61,913 for 2018 and \$48,176 for 2017. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced breakfast and lunches were \$939,662 for 2018 and \$711,726 for 2017.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$22,266,498 for 2018 and \$17,401,342 for 2017 and expenditures were \$19,924,517 for 2018 and \$17,099,180 for 2017. The net change in fund balance was most significant in the general fund, an increase of \$2,341,981 in 2018 and an increase of \$302,162 in 2017.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Local Sources	\$ 2,001,172	8.99%	\$ 443,134	28.44%
State Sources	19,118,203	85.86%	4,194,587	28.11%
Federal Sources	1,147,123	5.15%	227,435	24.73%
Total	<u>\$ 22,266,498</u>	<u>100.00%</u>	<u>\$ 4,865,156</u>	

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2018.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Instruction	\$ 7,466,755	37.47%	\$ 1,222,050	19.57%
Administration	6,483,271	32.54%	1,001,837	18.28%
Support Services	5,766,121	28.94%	1,121,697	24.15%
Capital Outlay	208,370	1.05%	(520,247)	-71.40%
Total	\$ 19,924,517	100.00%	\$ 2,825,337	

Changes in expenditures were the result of varying factors.

Under Schedule C-1, Total Benefits Cost line item is part of Administration Expenditures. For the 108 Line Budget purposes, more than half of Total Benefits Cost amount is allocated to Instruction Expenditures for teachers' benefits, hence, increasing the percentage of Instruction Expenditures up to sixty percent (60%) of Total Expenditures.

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

The Charter School had \$1,879,110 at June 30, 2018 and \$2,322,299 at June 30, 2017 invested in building improvements, furniture, machinery and equipment for governmental activities. The table shows the balances of capital assets (net of depreciation) for fiscal years 2018 and 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

	2018			Ending Balance	2017
	Beginning Balance	Additions	Retirements		
Governmental Activities:					
<i>Capital Assets Being Depreciated:</i>					
Building Improvements	\$ 1,048,132	\$ -	\$ -	\$ 1,048,132	\$ 270,953
Furniture, Machinery and Equipment	2,184,848	57,600	18,262	2,224,186	4,007,434
Totals Capital Assets Being Depreciated	<u>3,232,980</u>	<u>57,600</u>	<u>18,262</u>	<u>3,272,318</u>	<u>4,278,387</u>
Less Accumulated Depreciation:					
Building Improvements	107,477	36,645	-	144,122	33,869
Furniture, Machinery and Equipment	975,047	292,301	18,262	1,249,086	1,922,219
Total Accumulated Depreciation	<u>1,082,524</u>	<u>328,946</u>	<u>18,262</u>	<u>1,393,208</u>	<u>1,956,088</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>2,150,456</u>	<u>(271,346)</u>	<u>-</u>	<u>1,879,110</u>	<u>2,322,299</u>
Government Activity Capital Assets, Net	<u><u>\$ 2,150,456</u></u>	<u><u>\$ (271,346)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,879,110</u></u>	<u><u>\$ 2,322,299</u></u>
Business-Type Activities:					
<i>Capital Assets Being Depreciated:</i>					
Machinery and Equipment	\$ 159,624	\$ 146,011	\$ -	\$ 305,635	\$ 159,624
Less Accumulated Depreciation	96,357	56,665	-	153,022	96,357
Enterprise Fund Capital Assets, Net	<u>\$ 255,981</u>	<u>\$ 202,676</u>	<u>\$ -</u>	<u>\$ 458,657</u>	<u>\$ 63,267</u>

Debt Administration

At June 30, 2018, the Charter School had \$5,307,107 of outstanding debt, of which is for net pension liability.

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

Factors Bearing on the Charter School's Future

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Matt A. Anar, Business Administrator/Board Secretary at Paterson Charter School for Science and Technology, 196 W. Railway Ave., Paterson, New Jersey 07503.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Charter School's operation. These financial statements present the financial position and operating results of all funds as of June 30, 2018.

SECTION A – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 3,195,313	\$ 22,999	\$ 3,218,312
Restricted	5,201		5,201
Interfund Receivables	31,691		31,691
Receivables	267,410	56,499	323,909
Inventories		7,913	7,913
Other Assets	60,000		60,000
Capital Assets, Net	1,879,110	152,613	2,031,723
Total Assets	5,438,725	240,024	5,678,749
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	1,985,184		1,985,184
Deferred Outflows of Resources	1,985,184	-	1,985,184
LIABILITIES:			
Interfund Payable		541	541
Payable to State Government	6,043		6,043
Accounts Payable	166,995		166,995
Deferred Revenue		2,678	2,678
Noncurrent Liabilities:			
Due Beyond One Year:			
Net Pension Liability	5,307,107		5,307,107
Total Liabilities	5,480,145	3,219	5,483,364
DEFERRED INFLOWS OF RESOURCES:			
Pensions	2,354,306		2,354,306
Deferred Inflows of Resources	2,354,306	-	2,354,306
NET POSITION:			
Net Investment in Capital Assets	1,879,110	152,613	2,031,723
Unassigned	(2,289,652)	84,192	(2,205,460)
Total Net Position	\$ (410,542)	\$ 236,805	\$ (173,737)

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Statement of Activities

For The Fiscal Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 10,562,453	\$ -	\$ 493,022	\$ -	\$ (10,069,431)	\$ -	\$ (10,069,431)
Administration	5,215,753				(5,215,753)		(5,215,753)
Support Services	6,397,018				(6,397,018)		(6,397,018)
Capital Outlay	150,770				(150,770)		(150,770)
Unallocated Depreciation	36,645				(36,645)		(36,645)
Total Governmental Activities	22,362,639	-	493,022	-	(21,869,617)	-	(21,869,617)
BUSINESS-TYPE ACTIVITIES:							
Food Service	942,626	61,913	939,662			58,949	58,949
Total Business-Type Activities	942,626	61,913	939,662	-	-	58,949	58,949
Total Primary Government	\$ 23,305,265	\$ 61,913	\$ 1,432,684	\$ -	\$ (21,869,617)	\$ 58,949	\$ (21,810,668)
GENERAL REVENUES							
General Purposes					\$ 1,952,112	\$ -	\$ 1,952,112
Federal and State Aid Not Restricted					21,866,204		21,866,204
Investment Earnings					17,458	1,028	18,486
Miscellaneous Income					31,602		31,602
Total General Revenues					23,867,376	1,028	23,868,404
Change in Net Position					1,997,759	59,977	2,057,736
Net Position - Beginning					(2,236,458)	170,476	(2,065,982)
Restatement of Capital Assets					(171,843)	6,352	(165,491)
Net Position - Beginning as Restated					(2,408,301)	176,828	(2,231,473)
Net Position - Ending					(410,542)	236,805	(173,737)

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

SECTION B – FUND FINANCIAL STATEMENTS

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

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

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

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

GOVERNMENTAL FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 3,189,511	\$ 5,802	\$ 3,195,313
Restricted	5,201		5,201
Receivables:			
Interfund Receivables	31,691		31,691
Receivables From Other Governments	26,969	102,632	129,601
Other Receivables	137,809		137,809
Other Assets	60,000		60,000
Total Assets	\$ 3,451,181	\$ 108,434	\$ 3,559,615
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Payable to State Government	\$ 6,043	\$ -	\$ 6,043
Accounts Payable	58,561	108,434	166,995
Total Liabilities	64,604	108,434	173,038
Fund Balances:			
Unassigned:			
General Fund	3,386,577		3,386,577
Total Fund Balances	3,386,577	-	3,386,577
Total Liabilities and Fund Balances	\$ 3,451,181	\$ 108,434	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$3,272,318 and the accumulated depreciation is \$1,393,208.			1,879,110
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.			(5,307,107)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to pensions			1,985,184
Deferred inflows related to pensions			(2,354,306)
Net Position of Governmental Activities			\$ (410,542)

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,952,112	\$ -	\$ 1,952,112
Interest on Investments	17,458		17,458
Miscellaneous	31,602		31,602
Total Local Sources	2,001,172	-	2,001,172
State Sources	19,118,203		19,118,203
Federal Sources	30,848	1,116,275	1,147,123
Total Revenues	21,150,223	1,116,275	22,266,498
EXPENDITURES:			
Instruction	6,623,555	843,200	7,466,755
Administration	6,483,271		6,483,271
Support Services	5,493,046	273,075	5,766,121
Capital Outlay	208,370		208,370
Total Expenditures	18,808,242	1,116,275	19,924,517
NET CHANGE IN FUND BALANCES	2,341,981	-	2,341,981
FUND BALANCES, JULY 1	1,044,596	-	1,044,596
FUND BALANCES, JUNE 30	<u>\$ 3,386,577</u>	<u>\$ -</u>	<u>\$ 3,386,577</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental fund (from B-2)		\$ 2,341,981
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (328,946)	
Capital Outlay	<u>57,600</u>	(271,346)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p>		
		<u>(72,876)</u>
Change in net position of governmental activities		<u><u>\$ 1,997,759</u></u>

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

PROPRIETARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund
Statement of Net Position
June 30, 2018

	<u>Business-Type Activities</u>	
	<u>Food Service</u>	
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$	22,999
Intergovernmental Accounts Receivable:		
Federal		54,655
State		628
Other Receivables		1,216
Inventories		<u>7,913</u>
Total Current Assets		<u>87,411</u>
Noncurrent Assets:		
Machinery and Equipment		305,635
Less Accumulated Depreciation		<u>(153,022)</u>
Total Noncurrent Assets		<u>152,613</u>
Total Assets	\$	<u><u>240,024</u></u>
LIABILITIES AND NET POSITION:		
Liabilities:		
Interfund Accounts Payable	\$	541
Deferred Revenue		<u>2,678</u>
Total Liabilities		<u>3,219</u>
Net Position:		
Net Investment in Capital Assets		152,613
Unassigned		<u>84,192</u>
Total Net Position		<u>236,805</u>
Total Liabilities and Net Position	\$	<u><u>240,024</u></u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2018

	Business-Type Activities
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 4,787
Daily Sales Non-reimbursable Program	57,126
Total Operating Revenues	61,913
OPERATING EXPENSES:	
Salaries	358,071
Management Fees	8,527
Purchased Prof/Tech Services	19,676
Depreciation Expense	14,654
Cost of Sales Reimbursable Program	447,443
Cost of Sales Non-reimbursable Program	51,443
Miscellaneous Expenses	42,812
Total Operating Expenses	942,626
OPERATING LOSS	(880,713)
NONOPERATING REVENUES:	
Interest Earned	1,028
State Source:	
State School Lunch Program	10,321
Federal Source:	
National School Breakfast/Lunch/Snack Programs	837,307
Fresh Fruit and Vegetable Program	31,583
USDA Commodities	60,451
Total Nonoperating Revenues	940,690
CHANGE IN NET POSITION	59,977
TOTAL NET POSITION, JULY 1	170,476
RESTATEMENT OF CAPITAL ASSETS	6,352
TOTAL NET POSITION, JULY 1, AS RESTATED	176,828
TOTAL NET POSITION, JUNE 30	\$ 236,805

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Business-Type Activities
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 47,787
Cash Payments to Suppliers and Employees	<u>(928,032)</u>
Net Cash Used In Operating Activities	<u>(880,245)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	<u>939,662</u>
Net Cash Provided By Noncapital Financing Activities	<u>939,662</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Deposits and Investments	<u>1,029</u>
Net Cash Provided By Investing Activities	<u>1,029</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition Of Capital Assets	<u>(97,649)</u>
Net Cash Used In Capital And Related Financing Activities	<u>(97,649)</u>
Net Decrease In Cash And Cash Equivalents	(37,203)
Cash And Cash Equivalents, Beginning Of Year	<u>60,202</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 22,999</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating Loss Used In Operating Activities	\$ (880,713)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	14,654
Change In Assets And Liabilities:	
Increase In Receivables From Other Governments	(13,843)
Increase In Other Receivables	(283)
Increase In Inventories	(1,220)
Increase In Interfund Payable	541
Increase In Deferred Revenue	<u>619</u>
Net Cash Used For Operating Activities	<u>\$ (880,245)</u>

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

FIDUCIARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Scholarships Trust Account <i>(Initial)</i>	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and Cash Equivalents	\$ 3	\$ 174,619
	<u> </u>	<u> </u>
Total Assets	3	<u><u>\$ 174,619</u></u>
LIABILITIES:		
Interfund Accounts Payable		\$ 31,150
Payroll Deductions and Withholdings		78,537
Due to Student Groups		64,932
		<u> </u>
Total Liabilities	-	<u><u>\$ 174,619</u></u>
NET POSITION:		
Reserved for Scholarships	<u> </u>	
	3	
Total Liabilities and Net Position	<u><u>\$ 3</u></u>	

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Year Ended June 30, 2018

	Scholarships Trust Account <i>(Initial)</i>
ADDITIONS:	
Interest	\$ 3
Scholarships Contributions	20,000
	20,003
Total Additions	
DEDUCTIONS:	
Scholarships Disbursements	20,000
	20,000
Total Deductions	
CHANGE IN NET POSITION	3
NET POSITION - BEGINNING OF THE YEAR	-
NET POSITION - END OF THE YEAR	\$ 3

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Paterson Charter School for Science and Technology include three schools: a Grade K-1, a Grade 2-6 and a Grade 7-12 located in the City of Paterson. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements – Government-Wide Statements

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (Continued)

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

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

D. Basic Financial Statements – Fund Financial Statements

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

The following fund types are used by the Charter School:

Governmental Fund Types

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

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

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

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

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

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

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

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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

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

F. Budgets/Budgetary Control

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

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

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

Total Revenues & Expenditures (Budgetary Basis)	\$ 1,116,275
Adjustments:	
Less Encumbrances at June 30, 2018	-
Plus Encumbrances at June 30, 2017	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 1,116,275</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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

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

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

1. Deposits and Investments

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

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

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

2. Short-term Interfund Receivables/Payables

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

3. Inventories

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

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

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

Land and Construction in Progress are not depreciated.

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

5. Fund Equity

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

6. Use of Estimates

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

7. Net Position/Fund Balance

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

H. Fund Balance Reserves

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

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

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

I. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The Charter School implemented the following GASB statements for the fiscal year ended June 30, 2018:

Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of this Statement resulted in an increase in full accrual revenues and expenses and additional footnote disclosures.

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

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

Recently Issued Accounting Pronouncements

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

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

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

GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

J. Pensions

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

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

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

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

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

Deposits and Investments (Continued)

accordance with the Governmental Unit Deposit Protection Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

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

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 3,194,712</u>	<u>\$ 5,802</u>	<u>\$ 22,999</u>	<u>\$ 174,622</u>	<u>\$ 3,398,135</u>

The Charter School had no investments at June 30, 2018.

The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$3,398,135 and the bank balance was \$3,722,015. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

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

As of June 30, 2018, none of the cash and cash equivalents for Paterson Charter School for Science and Technology were exposed to custodial credit risk.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

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

Deposits and Investments (Continued)

Investments

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

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

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2018.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2018.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

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

Deposits and Investments (Continued)

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2018.

B. Receivables

Receivables at June 30, 2018, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 154,349	\$ 154,977
Federal Aid	102,632	157,287
Other	10,429	11,645
Gross Receivables	267,410	323,909
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 267,410</u>	<u>\$ 323,909</u>

C. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2018.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 31,691	\$ -
Proprietary Fund		541
Fiduciary Fund		31,150
Total	<u>\$ 31,691</u>	<u>\$ 31,691</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

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

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Building Improvements	\$ 1,048,132	\$ -	\$ -	\$ 1,048,132
Furniture, Machinery and Equipment	2,184,848	57,600	18,262	2,224,186
Total Capital Assets Being Depreciated	<u>3,232,980</u>	<u>57,600</u>	<u>18,262</u>	<u>3,272,318</u>
<i>Less Accumulated Depreciation For:</i>				
Building Improvements	107,477	36,645	-	144,122
Furniture, Machinery and Equipment	975,047	292,301	18,262	1,249,086
Total Accumulated Depreciation	<u>1,082,524</u>	<u>328,946</u>	<u>18,262</u>	<u>1,393,208</u>
Total Capital Assets Being Depreciated,				
Net of Accumulated Depreciation	<u>2,150,456</u>	<u>(271,346)</u>	<u>-</u>	<u>1,879,110</u>
Government Activity Capital Assets, Net	<u>\$ 2,150,456</u>	<u>\$ (271,346)</u>	<u>\$ -</u>	<u>\$ 1,879,110</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 159,624	\$ 146,011	\$ -	\$ 305,635
Less Accumulated Depreciation	(96,357)	(56,665)	-	(153,022)
Enterprise Fund Capital Assets, Net	<u>\$ 63,267</u>	<u>\$ 89,346</u>	<u>\$ -</u>	<u>\$ 152,613</u>

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

Depreciation expense was charged to functions as follows:

Depreciation Expense:	
Instructional	\$ 224,510
Administration	67,222
Support	569
Unallocated	36,645
Total	<u>\$ 328,946</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

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

Operating Leases

2-6 Campus

The school leases classroom and office space at 276 Wabash Avenue, Paterson, New Jersey. The lease is for sixty (60) months commencing July 1, 2012 and expiring on June 30, 2017 with an option to renew for seven (7) periods, consisting of five (5) years each.

On June 2017, an amendment to the lease was signed. The lease was extended for the second (2nd) renewal period of five (5) years commencing July 1, 2017 and expiring on June 30, 2022. The lease will automatically renew for a total of five (5) additional renewal periods of five (5) years each. Also included in the amendment, the landlord agrees, in consideration of the sum payable by the school under the lease and for the sum of one dollar (\$1.00), on July 2, 2044, being the day immediately following the date when all obligations shall have been paid in full under the loan agreement, the landlord shall convey the premises to the school in its then "AS-IS" condition.

Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 1,156,000
2020	1,156,000
2021	1,156,000
2022	<u>1,156,000</u>
Total future minimum lease payments	<u>\$ 4,624,000</u>

7-12 Campus

The school also leases classroom and office space at 196 West Railway Avenue, Paterson, New Jersey. The lease is for three (3) years commencing July 1, 2014 and ending June 30, 2017.

On June 2017, an amendment to the lease was signed. The lease was extended for the first (1st) renewal period of five (5) years commencing July 1, 2017 and expiring on June 30, 2022. The lease will automatically renew for a total of five (5) additional renewal periods of five (5) years each. Also included in the amendment, the landlord agrees, in consideration of the sum payable by the school under the lease and for the sum of one dollar (\$1.00), on July 2, 2044, being the day immediately following the date when all obligations shall have been paid in full under the loan agreement, the landlord shall convey the premises to the school in its then "AS-IS" condition.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

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

Operating Leases (Continued)

Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 1,482,400
2020	1,482,400
2021	1,482,400
2022	<u>1,482,400</u>
Total future minimum lease payments	<u>\$ 5,929,600</u>

K-1 Campus

The school leases classroom and office space at 53-59 Main Street, Paterson, New Jersey. The landlord also sub-leases to the school a parking lot from the City of Paterson Parking Authority. The lease is for two (2) years commencing June 14, 2017 and expiring on July 31, 2019 in annual amount of three hundred sixty thousand dollars (\$360,000) and requires a security deposit of sixty thousand dollars (\$60,000). The school has an option to renew the lease for one (1) year for an annual amount of three hundred seventy thousand eight hundred dollars (\$370,800). The school also has the option to buy the building for the sum of one million three hundred thousand dollars (\$1,300,000). This option may be exercised at any time during the term but in no event no sooner than the first (1st) day of the seventh (7th) full calendar month after the commencement date or later than one hundred twenty (120) days prior to the expiration of the term of this lease.

The lease was amended on August 14, 2017 for additional payment totaling \$135,902 for improvements and repair works to be done on the premises before the school can occupy the property. This changed the lease commencement date to September 1, 2017.

Another amendment was signed on April 30, 2018 to change the responsibility of the parking lot lease payments to the City of Paterson Parking Authority from the landlord to the school. The school shall be obligated to pay directly to the Parking Authority the on-going charges imposed by the Parking Authority under the parking lot lease and pay the outstanding balance from September 1, 2017 to March 31, 2018.

Future minimum lease payment for year ended June 30, 2019 is \$360,000:

Total lease payments for the year ended June 30, 2018 amounted to \$3,104,923.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Vesting and Benefit Provisions

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Vesting and Benefit Provisions (Continued)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual 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 \$224,757 for fiscal year 2018.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

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

At June 30, 2018, the Charter School reported a liability of \$5,307,107 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 01, 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. For the June 30, 2017 measurement date, the Charter School's proportion was 0.0227984186%, which was a decrease of 0.0039782388% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the Charter School recognized pension expense of \$262,196, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date.

At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 124,964	\$ -
Changes in Assumptions	1,069,199	1,065,279
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	36,138	-
Changes in Proportion and Differences between Charter School Contributions and Proportionate Share of Contributions	530,126	1,289,027
Charter School Contributions Subsequent to the Measurement Date	<u>224,757</u>	<u>-</u>
	<u>\$ 1,985,184</u>	<u>\$ 2,354,306</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

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

\$224,757, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2019.

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

Fiscal Year Ending June 30,	Total
2018	\$ 124,934
2019	188,529
2020	114,239
2021	(151,938)
2022	(110,742)
	<hr/>
	\$ 165,022

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	5.48 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00 years	-
June 30, 2015	5.00 years	-
June 30, 2016	5.00 years	-
June 30, 2017	5.00 years	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

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 01, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

The actuarial assumptions used in the July 01, 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Public Employees' Retirement System (PERS) (Continued)

Discount Rate (Continued)

bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

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

The following presents the Charter School's proportionate share of the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the Charter School's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School's Proportionate Share of the Net Pension Liability	\$ 6,583,827	\$ 5,307,107	\$ 4,243,442

Pension Plan Fiduciary Net Position

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

Vesting and Benefit Provisions

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2017, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School. However, the notes to the financial statements of the Charter School must disclose the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$89,519 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$715,102.

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

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

At June 30, 2018, the Charter School was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

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

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

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State of New Jersey 's Proportionate Share of the Net Pension Liability Associated with the Charter School	<u>42,937,289</u>
Total	<u>\$ 42,937,289</u>

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 01, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. For the June 30, 2017 measurement date, the Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2017, Charter School's proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2017 measurement date, the State's proportionate share of the TPAF net pension liability associated with the Charter School was 0.0636828729%, which was an increase of 0.0035978144% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the Charter School recognized \$2,974,478 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

The State reported the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 13,378,255,364	\$ 11,684,858,458
Difference Between Expected and Actual Experience	441,116,389	115,381,203
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>341,507,504</u>	<u>-</u>
	<u><u>\$ 14,160,879,257</u></u>	<u><u>\$ 11,800,239,661</u></u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	8.5 years
June 30, 2015	8.3 years	-
June 30, 2016	-	8.3 years
June 30, 2017	8.3 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	8.5 years	-
June 30, 2015	8.3 years	-
June 30, 2016	8.3 years	-
June 30, 2017	-	8.3 years
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00 years	-
June 30, 2015	5.00 years	-
June 30, 2016	5.00 years	-
June 30, 2017	5.00 years	-

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

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

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

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

Actuarial Assumptions

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 01, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. This actuarial valuations 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-year average of Social Security data from 1953 to 2013.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 01, 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 plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 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%

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

Discount Rate

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 based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on 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.

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

As previously mentioned, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2017, the pension plans measurement date, attributable to the Charter School is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the Charter School, using a discount rate of 4.25%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

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

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

	Fiscal Year Ended June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Charter School's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of the Net Pension Liability Associated with the Charter School	51,197,420	43,094,333	36,418,975
	<u>\$ 51,197,420</u>	<u>\$ 43,094,333</u>	<u>\$ 36,418,975</u>

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

Plan Description

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 4: PENSION PLANS

Defined Contribution Retirement Program (DCRP) (Continued)

Plan Description (Continued)

IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for Tier 3 enrollment but who earn salary of at least \$5,000.00 annually (The minimum salary in 2018 is \$8,300 and is subject to adjustment in future years); and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually. The minimum number of hours is 32 hours per week for local education employees.

Vesting and Benefit Provisions

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

Contributions

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

For the fiscal year ended June 30, 2018, employee contributions totaled to \$4,489, and the Charter School recognized pension expense, which equaled the required contributions, of \$2,448.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for charter schools.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local charter school employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

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 or more years 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

Plan Description and Benefits Provided (Continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
	<hr/>
Total Plan Members	<u><u>366,078</u></u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of postretirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

Post-Retirement Medical Benefits Contributions (Continued)

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund-Local Education Retired for retirees' post-retirement benefits on behalf of the Charter School for the fiscal years ended June 30, 2018, 2017, and 2016 were \$608,362, \$596,847, and \$572,815, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the Charter School was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2017, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ -	\$ -
Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumptions Changes	<u>-</u>	<u>(6,343,769,032)</u>
Sub Total	-	(6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	1,190,373,242	Not Available
Total	<u>\$ 1,190,373,242</u>	<u>\$ (6,343,769,032)</u>

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

<u>Measurement Period Ending June 30,</u>	<u>Total</u>
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Total Thereafter	<u>(2,629,618,547)</u>
	<u>\$ (6,343,769,032)</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$2,093,900. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018, the State's proportionate share of the OPEB liability attributable to the District is \$10,118,207. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state's share of the OPEB liability attributable to the District was 0.0188632305%, which was an increase of 0.0015010599% from its proportionate share measured as of June 30, 2016 of 0.0173621705%.

Actuarial Assumptions

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 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 2.50%

	<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

Pre-retirement healthy 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 the Scale MP-2017. Post-retirement healthy mortality rates were based on the RP-2014 headcount-weighted healthy annuitant male/female mortality table with fully generational improvement projections from the central year using the Scale MP-2017. Disability mortality rates were based on the RP-2014 headcount-weighted disabled male/female mortality table with fully generational improvement projections from the central year using the School MP-2017.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

Actuarial Assumptions (Continued)

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in future years.

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.58%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	<u>Charter School's Total OPEB Liability (State Share 100%)</u>	<u>State of New Jersey's Total OPEB Liability</u>
Balance at June 30, 2016 Measurement Date	<u>\$ 10,040,853</u>	<u>\$ 57,831,784,184</u>
Changes Recognized for the Fiscal Year:		
Service Cost	1,833,131	2,391,878,884
Interest on Total OPEB Liability	335,215	1,699,441,736
Effect of Changes of Assumptions	(1,865,263)	(7,086,599,129)
Contributions - Employees	8,630	45,748,749
Gross Benefits Paid by the State	<u>(234,359)</u>	<u>(1,242,412,566)</u>
Net Changes	<u>77,354</u>	<u>(4,191,942,326)</u>
Balance at June 30, 2017 Measurement Date	<u><u>\$ 10,118,207</u></u>	<u><u>\$ 53,639,841,858</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.58% in 2016 to 3.58% in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 5: POST-RETIREMENT MEDICAL BENEFITS

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	<u>At 1% Decrease (2.58%)</u>	<u>At Current Discount Rate (3.58%)</u>	<u>At 1% Increase (4.58%)</u>
Net OPEB Liability (Allocable to the Charter School and the responsibility of the State)	\$ 12,011,042	\$ 10,118,207	\$ 8,616,793

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability (Allocable to the Charter School and the responsibility of the State)	\$ 8,321,247	\$ 10,118,207	\$ 12,504,549

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 6: RISK MANAGEMENT

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

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

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

New Jersey Unemployment Compensation Insurance

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

Starting in 2016-2017 school year, the charter school changed the unemployment contribution to the "Contributory Method" where the Charter School will now remit the entire employee deduction to the Commissioner of Labor. As of June 30, 2018, there is no balance in the school's Unemployment Compensation trust account.

NOTE 7: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

The General Fund balance at June 30, 2018 is \$3,386,577 and is unassigned and undesignated.

NOTE 8: SUBSEQUENT EVENTS

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Basic Financial Statements

June 30, 2018

NOTE 9: RESTATEMENT OF NET POSITION

The beginning balances of net position for the governmental and business-type activities have been restated in the amounts of (\$2,408,301) and \$176,828, respectively, which represent the decrease in governmental activities and increase in business-type activities of the historical cost of its capital assets as part of the implementation of GASB Statement 34. This resulted in the following restatement of net position as of June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position, June 30, 2017	\$ (2,236,458)	\$ 170,476
Restatement of Capital Assets	<u>(171,843)</u>	<u>6,352</u>
Net Position, June 30, 2017, as Restated	<u><u>\$ (2,408,301)</u></u>	<u><u>\$ 176,828</u></u>

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Equalization Aid - Local Share - Charter School Aid	\$ 1,860,996	\$ 91,116	\$ 1,952,112	\$ 1,952,112	\$ -
Total Local Sources	1,860,996	91,116	1,952,112	1,952,112	-
Categorical Aid:					
Equalization Aid - State Share - Charter School Aid	14,637,938	602,149	15,240,087	15,240,087	-
Special Education Categorical Aid	519,722	(26,700)	493,022	493,022	-
Security Aid	571,440	31,275	602,715	602,715	-
State Adjustment Aid		511,692	511,692	511,508	(184)
Other State Aid	526,176	(349,268)	176,908	171,049	(5,859)
Total Categorical Aid	16,255,276	769,148	17,024,424	17,018,381	(6,043)
Federal Sources:					
Medicaid Reimbursement	23,120		23,120	30,848	7,728
Total Federal Sources	23,120	-	23,120	30,848	7,728
Other Sources:					
Interest Income				17,458	17,458
Miscellaneous Revenue	31,500		31,500	27,797	(3,703)
Refund from Prior Year				3,805	3,805
On-Behalf TPAF Pension Aid (Non-Budgeted)				941,913	941,913
Reimbursed TPAF Social Security Aid (Non-Budgeted)				543,743	543,743
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)				608,362	608,362
On-Behalf TPAF Long-Term Disability Insurance Aid (Non-Budgeted)				5,804	5,804
Total Other Sources	31,500	-	31,500	2,148,882	2,117,382
Total Revenues	18,170,892	860,264	19,031,156	21,150,223	2,119,067
EXPENDITURES:					
Instruction:					
Salaries of Teachers	5,635,146	195,800	5,830,946	5,630,114	200,832
Other Salaries for Instruction	430,727	72,490	503,217	493,687	9,530
Purchased Prof/Tech Services	223,406	(3,500)	219,906	143,458	76,448
Other Purchased Services	114,144		114,144	45,412	68,732
General Supplies	244,832		244,832	206,131	38,701
Textbooks	59,805	23,000	82,805	82,788	17
Miscellaneous	38,234		38,234	21,965	16,269
Total Instruction	6,746,294	287,790	7,034,084	6,623,555	410,529
Administration:					
Salaries - General Administration	1,391,169	152,000	1,543,169	1,518,927	24,242
Salaries of Secretarial/Clerical Assistants	220,399	30,000	250,399	240,348	10,051
Total Benefits Cost	2,624,610	(85,054)	2,539,556	2,226,543	313,013
Purchases Prof/Tech Services	236,395	73,285	309,680	262,622	47,058
Other Purchased Services	94,601		94,601	60,481	34,120
Supplies and Materials	44,460	6,500	50,960	42,415	8,545
Interest on Current Loans	10,000		10,000	3,314	6,686
Miscellaneous Expenses	31,832	3,000	34,832	28,799	6,033
Total Administration	4,653,466	179,731	4,833,197	4,383,449	449,748

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued From Prior Page)					
Support Services:					
Salaries	\$ 1,237,649	\$ 213,540	\$ 1,451,189	\$ 1,344,392	\$ 106,797
Purchased Prof/Ed Services	187,160		187,160	167,020	20,140
Purchased Prof/Tech Services	9,792	13,910	23,702	23,702	-
Rental of Land and Buildings	2,866,000	252,000	3,118,000	3,104,923	13,077
Other Purchased Services	257,832	24,000	281,832	273,235	8,597
Transportation-Other Than To/From School	85,341	1,205	86,546	86,546	-
Insurance for Property, Liability and Fidelity	127,126	14,000	141,126	140,398	728
Supplies and Materials	71,520	21,700	93,220	87,053	6,167
Energy Costs (Heat and Electricity)	270,000	30,000	300,000	265,777	34,223
Total Support Services	5,112,420	570,355	5,682,775	5,493,046	189,729
Capital Outlay:					
Instructional Equipment	282,072	(73,500)	208,572	208,370	202
Non-Instructional Equipment	118,500	(118,500)	-	-	-
Miscellaneous Expenses	120,000	(120,000)	-	-	-
Total Capital Outlay	520,572	(312,000)	208,572	208,370	202
On-Behalf TPAF Pension Contributions (Non-Budgeted)				941,913	(941,913)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				543,743	(543,743)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				608,362	(608,362)
On-Behalf TPAF Long-Term Disability Insurance Contributions (Non-Budgeted)				5,804	(5,804)
Total Expenditures	17,032,752	725,876	17,758,628	18,808,242	(1,049,614)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,138,140	134,388	1,272,528	2,341,981	1,069,453
FUND BALANCE, JULY 1	1,044,596	-	1,044,596	1,044,596	-
FUND BALANCE, JUNE 30	<u>\$ 2,182,736</u>	<u>\$ 134,388</u>	<u>\$ 2,317,124</u>	<u>\$ 3,386,577</u>	<u>\$ 1,069,453</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures: Budgeted Fund Balance	\$ 2,182,736	\$ 134,388	\$ 2,317,124	\$ 3,386,577	\$ 1,069,453
Total	<u>\$ 2,182,736</u>	<u>\$ 134,388</u>	<u>\$ 2,317,124</u>	<u>\$ 3,386,577</u>	<u>\$ 1,069,453</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 1,119,783	\$ -	\$ 1,119,783	\$ 1,116,275	\$ (3,508)
Total Revenues	1,119,783	-	1,119,783	1,116,275	(3,508)
EXPENDITURES:					
Instruction:					
Salaries	257,681	4,394	262,075	262,075	-
Salaries of Teachers	92,450		92,450	92,450	-
Purchased Prof/Tech Services	229,613		229,613	229,613	-
General Supplies	244,059	1,745	245,804	245,804	-
Other Objects	13,535	(277)	13,258	13,258	-
Total Instruction	837,338	5,862	843,200	843,200	-
Support Services:					
Salaries	74,431	277	74,708	74,708	-
Personal Services - Employee Benefits	97,245	(857)	96,388	96,388	-
Other Purchased Prof/Tech Services	65,800	(7,666)	58,134	58,134	-
Miscellaneous (Other) Purchased Services	28,002	2,386	30,388	30,388	-
Supplies and Materials	16,967	(2)	16,965	13,457	3,508
Total Support Services	282,445	(5,862)	276,583	273,075	3,508
Total Expenditures	1,119,783	-	1,119,783	1,116,275	3,508
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2018

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 21,150,223	[C-2] \$ 1,116,275
Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	_____	-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>21,150,223</u>	[B-2] \$ <u>1,116,275</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 18,808,242	[C-2] \$ 1,116,275
Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	_____	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>18,808,242</u>	[B-2] \$ <u>1,116,275</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

**SECTION L – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY FOR TPAF AND PERS AND CHARTER SCHOOL’S PERS
CONTRIBUTIONS**

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Required Supplementary Information Schedules
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Public Employees Retirement System
 Last Five Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,				
	2018	2017	2016	2015	2014
Charter School's proportion of the net pension liability	0.0227984186%	0.0267766574%	0.0313323293%	0.0268956671%	0.0251831644%
Charter School's proportionate share of the net pension liability	\$ 5,307,107	\$ 7,930,478	\$ 7,033,480	\$ 5,035,604	\$ 4,813,003
Charter School's covered employees payroll	\$ 1,643,410	\$ 1,376,563	\$ 1,517,838	\$ 3,147,799	\$ 2,989,172
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	322.93%	576.11%	463.39%	159.97%	161.01%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

	Fiscal Year Ending June 30,				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 211,203	\$ 237,880	\$ 269,374	\$ 221,724	\$ 189,750
Contributions in relation to the contractually required contribution	<u>(224,757)</u>	<u>(246,640)</u>	<u>(272,129)</u>	<u>(224,462)</u>	<u>(213,965)</u>
Contribution deficiency/(excess)	<u>\$ (13,554)</u>	<u>\$ (8,760)</u>	<u>\$ (2,755)</u>	<u>\$ (2,738)</u>	<u>\$ (24,215)</u>
Charter School's covered employee payroll	\$ 1,643,410	\$ 1,376,563	\$ 1,517,838	\$ 3,147,799	\$ 2,989,172
Contributions as a percentage of covered employee payroll	12.85%	17.28%	17.75%	7.04%	6.35%

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

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

	Fiscal Year Ending June 30,				
	2018	2017	2016	2015	2014
State's proportion of the net pension liability attributable of the Charter School	0.0636828729%	0.0600850585%	0.0506882071%	0.0505361891%	0.0386159767%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 42,937,289	\$ 47,266,733	\$ 32,037,111	\$ 27,009,948	\$ 19,516,211
Charter School's covered employees payroll	\$ 6,533,653	\$ 5,827,904	\$ 5,994,422	\$ 5,943,698	\$ 5,915,567
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	657.17%	811.04%	534.45%	454.43%	329.91%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

**SECTION M – CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY FOR TPAF AND PERS**

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Required Supplementary Information Schedules

Schedule of Changes in the Charter School's Proportionate Share of Total OPEB Liability and Related Ratios
Teachers Pension and Annuity Fund and Public Employees Retirement SystemLast Two Fiscal Years
Unaudited

	Fiscal Year Ending June 30,	
	2018	2017
OPEB Liability at Beginning of Measurement Period	\$ 10,040,853	Not Available
Changes Recognized for the Fiscal Year:		
Service Cost	1,833,131	Not Available
Interest on Total OPEB Liability	335,215	Not Available
Effect on Changes of Assumptions	(1,865,263)	Not Available
Contributions from the Employees	8,630	Not Available
Gross Benefit Paid by the State	(234,359)	Not Available
Net Changes	77,354	-
OPEB Liability at the End of Measurement Period	\$ 10,118,207	\$ 10,040,853
Charter School's Proportionat Share of the Total OPEB Liability	0.0188632305%	0.0173621705%
Charter School's Covered Employees Payroll	\$ 8,177,063	\$ 7,204,467
Total Charter School's OPEB Liability as a Percentage of Covered Employee Payroll	123.74%	139.37%
Charter School's Contributions	None	None

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to Required Supplementary Information
Public Employees Retirement System
For Fiscal Year Ended June 30, 2018

NET PENSION LIABILITY (SCHEDULES L-1 AND L-2)

A. Benefit Changes

There were none.

B. Changes in Assumptions

For 2017, 2016, 2015, and 2014 years, the discount rates changed to 5.00%, 3.98%, 4.90%, and 5.39%, respectively, and the long-term expected rates of return changed to 7.00%, 7.65%, 7.90%, and 7.90%, respectively. Demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. In addition, the social security wage base was set at \$127,200 for 2017, \$118,500 for both 2016 and 2015, and \$117,000 for 2014, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$270,000 for 2017, \$265,000 for both 2016 and 2015, and \$260,000 for 2014, increasing 3.00% per annum, compounded annually.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The increase in the OPEB liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.58% as of June 30, 2016 to 3.58% as of June 30, 2017.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to Required Supplementary Information

Teachers Pension and Annuity Fund

For Fiscal Year Ended June 30, 2018

NET PENSION LIABILITY (SCHEDULE L-3)

A. Benefit Changes

There were none.

B. Changes in Assumptions

For 2017, 2016, 2015, and 2014 years, the discount rates changed to 4.25%, 3.22%, 4.13%, and 4.68%, respectively, and the long-term expected rates of return changed to 7.00%, 7.65%, 7.90%, and 7.90%, respectively. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The increase in the OPEB liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.58% as of June 30, 2016 to 3.58% as of June 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2018

	NCLB Title I	NCLB Title III	I.D.E.A. Part B	I.D.E.A. PreSchool	NCLB Title II	Grand Total
REVENUE SOURCES:						
Federal	\$ 799,998	\$ 10,000	\$ 219,113	\$ 3,197	\$ 83,967	\$ 1,116,275
Total Revenues	799,998	10,000	219,113	3,197	83,967	1,116,275
EXPENDITURES:						
Instruction:						
Salaries	255,825				6,250	262,075
Salaries of Teachers	92,450					92,450
Purchased Prof/Tech Services	8,000		219,113	2,500		229,613
General Supplies	236,219	8,888		697		245,804
Other Objects	13,258					13,258
Total Instruction	605,752	8,888	219,113	3,197	6,250	843,200
Support Services:						
Salaries	74,708					74,708
Personal Services - Employee Benefits	96,246				142	96,388
Other Purchased Prof/Tech Services	15,800				42,334	58,134
Miscellaneous (Other) Purchased Services		1,112			29,276	30,388
Supplies and Materials	7,492				5,965	13,457
Total Support Services	194,246	1,112	-	-	77,717	273,075
Total Expenditures	799,998	10,000	219,113	3,197	83,967	1,116,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

Scholarship Funds – these are nonexpendable trust funds and limits expenses to the amounts earned on the trust principal.

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Combining Statement of Fiduciary Net Position

As of June 30, 2018

	Trusts	Agency				Total
	Scholarships Trust Account (Initial)	Payroll Agency	Net Payroll	Student Activities	HRA Trust	Agency Fund
ASSETS:						
Cash and Cash Equivalents	\$ 3	\$ 107,801	\$ 1,544	\$ 65,274	\$ -	\$ 174,619
Total Assets	3	\$ 107,801	\$ 1,544	\$ 65,274	\$ -	\$ 174,619
LIABILITIES:						
Interfund Accounts Payable		\$ 29,264	\$ 1,544	\$ 342	\$ -	\$ 31,150
Payroll Deductions and Withholdings Due to Student Groups		78,537		64,932		78,537
Total Liabilities	-	\$ 107,801	\$ 1,544	\$ 65,274	\$ -	\$ 174,619
NET POSITION:						
Reserved for Scholarships	3					
Total Net Position	3					

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Trust Funds

For the Fiscal Year Ended June 30, 2018

	Scholarships Trust Account <i>(Initial)</i>
	<u> </u>
ADDITIONS:	
Interest	\$ 3
Scholarships Contributions	<u> 20,000</u>
Total Additions	<u> 20,003</u>
DEDUCTIONS:	
Scholarships Disbursements	<u> 20,000</u>
Total Deductions	<u> 20,000</u>
CHANGE IN NET POSITION	3
NET POSITION - BEGINNING OF THE YEAR	<u> -</u>
NET POSITION - END OF THE YEAR	<u><u> \$ 3</u></u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
School Activities	<u>\$ 56,776</u>	<u>\$ 154,341</u>	<u>\$ 145,843</u>	<u>\$ 65,274</u>
Total	<u><u>\$ 56,776</u></u>	<u><u>\$ 154,341</u></u>	<u><u>\$ 145,843</u></u>	<u><u>\$ 65,274</u></u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS:				
Cash and Cash Equivalents	\$ 65,682	\$ 4,169,872	\$ 4,127,753	\$ 107,801
Total Assets	<u>\$ 65,682</u>	<u>\$ 4,169,872</u>	<u>\$ 4,127,753</u>	<u>\$ 107,801</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 113	\$ 29,151	\$ -	\$ 29,264
Payroll Deductions and Withholdings	65,569	4,140,721	4,127,753	78,537
Total Liabilities	<u>\$ 65,682</u>	<u>\$ 4,169,872</u>	<u>\$ 4,127,753</u>	<u>\$ 107,801</u>

STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 1,879,110	\$ 2,322,299	\$ 2,397,709	\$ 1,839,880	\$ 275,580	\$ 266,681	\$ (203,448)	\$ 31,616	\$ 14,765	\$ 20,163
Unrestricted	(2,289,652)	(4,558,757)	(4,502,942)	(3,655,292)	3,058,045	2,945,016	2,536,728	2,409,087	1,843,645	1,273,368
Total Governmental Activities Net Assets/Position	<u>\$ (410,542)</u>	<u>\$ (2,236,458)</u>	<u>\$ (2,105,233)</u>	<u>\$ (1,815,412)</u>	<u>\$ 3,333,625</u>	<u>\$ 3,211,697</u>	<u>\$ 2,333,280</u>	<u>\$ 2,440,703</u>	<u>\$ 1,858,410</u>	<u>\$ 1,293,531</u>
Business-Type Activities										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 152,613	\$ 63,267	\$ 83,253	\$ 83,253	\$ 32,465	\$ 23,770	\$ 23,770	\$ 24,795	\$ 25,485	\$ 6,293
Unrestricted	84,192	107,209	116,858	164,905	127,807	168,038	166,871	98,035	69,578	23,212
Total Business-Type Activities Net Assets/Position	<u>\$ 236,805</u>	<u>\$ 170,476</u>	<u>\$ 200,111</u>	<u>\$ 248,158</u>	<u>\$ 160,272</u>	<u>\$ 191,808</u>	<u>\$ 190,641</u>	<u>\$ 122,830</u>	<u>\$ 95,063</u>	<u>\$ 29,505</u>
Charter School-wide										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 2,031,723	\$ 2,385,566	\$ 2,480,962	\$ 1,923,133	\$ 308,045	\$ 290,451	\$ (179,678)	\$ 56,411	\$ 40,250	\$ 26,456
Unrestricted	(2,205,460)	(4,451,548)	(4,386,084)	(3,490,387)	3,185,852	3,113,054	2,703,599	2,507,122	1,913,223	1,296,580
Total Charter School-wide Net Assets/Position	<u>\$ (173,737)</u>	<u>\$ (2,065,982)</u>	<u>\$ (1,905,122)</u>	<u>\$ (1,567,254)</u>	<u>\$ 3,493,897</u>	<u>\$ 3,403,505</u>	<u>\$ 2,523,921</u>	<u>\$ 2,563,533</u>	<u>\$ 1,953,473</u>	<u>\$ 1,323,036</u>

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities:										
Instruction	\$ 10,562,453	\$ 9,424,127	\$ 9,860,285	\$ 6,847,415	\$ 8,637,456	\$ 7,781,671	\$ 8,227,659	\$ 5,362,000	\$ 3,802,801	\$ 3,530,643
Administration	5,215,753	2,838,768	1,202,817	2,251,993	1,777,411	1,813,483	1,607,357	1,354,972	1,479,913	1,151,129
Support Services	6,397,018	4,527,508	6,082,347	6,643,465	6,280,683	5,829,281	6,120,760	4,332,206	2,553,882	2,246,026
Capital Outlay	150,770	728,617	170,135	360,546	70,174	102,611	(73,062)	32,507	50	63,296
Unallocated Depreciation	36,645	13,547	13,547	-	-	-	-	-	-	-
Total Governmental Activities Expenses	22,362,639	17,532,567	17,329,132	16,103,419	16,765,724	15,527,046	15,882,714	11,081,685	7,836,646	6,991,094
Business-Type Activities:										
Food Service	942,626	789,966	829,566	660,550	802,848	702,760	592,179	386,212	209,060	160,911
Total Business-Type Activities Expenses	942,626	789,966	829,566	660,550	802,848	702,760	592,179	386,212	209,060	160,911
Total Charter School Expenses	\$ 23,305,265	\$ 18,322,533	\$ 18,158,698	\$ 16,763,969	\$ 17,568,572	\$ 16,229,806	\$ 16,474,893	\$ 11,467,897	\$ 8,045,706	\$ 7,152,005
Program Revenues										
Governmental Activities:										
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	493,022	325,050	201,668	258,791	305,903	286,804	164,840	192,700	156,625	93,675
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Revenues	493,022	325,050	201,668	258,791	305,903	286,804	164,840	192,700	156,625	93,675
Business-Type Activities:										
Charges for Services	61,913	48,176	95,710	67,882	89,336	93,337	155,352	132,222	53,469	19,636
Operating Grants and Contributions	939,662	711,726	685,445	680,228	681,925	608,200	504,413	280,704	208,891	155,357
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Revenues	1,001,575	759,902	781,155	748,110	771,261	701,537	659,765	412,926	263,360	174,983
Total Charter School Program Revenues	\$ 1,494,597	\$ 1,084,952	\$ 982,823	\$ 1,006,901	\$ 1,077,164	\$ 988,341	\$ 824,605	\$ 605,626	\$ 419,985	\$ 268,668
Net (Expense)/Revenue										
Governmental Activities	\$ (21,869,617)	\$ (17,207,517)	\$ (17,127,464)	\$ (15,844,628)	\$ (16,459,821)	\$ (15,240,242)	\$ (15,717,874)	\$ (10,888,985)	\$ (7,680,021)	\$ (6,897,419)
Business-Type Activities	58,949	(30,064)	(48,411)	87,560	(31,587)	(1,223)	67,586	26,714	54,300	14,082
Total Charter School-wide Net Expense	\$ (21,810,668)	\$ (17,237,581)	\$ (17,175,875)	\$ (15,757,068)	\$ (16,491,408)	\$ (15,241,465)	\$ (15,650,288)	\$ (10,862,271)	\$ (7,625,721)	\$ (6,883,337)
General Revenues and Other Changes in Net Assets/Position										
Governmental Activities:										
General Purposes	\$ 1,952,112	\$ 1,473,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and State Aid Not Restricted	21,866,204	15,518,254	16,775,873	16,634,274	16,507,691	16,099,585	15,601,904	11,439,501	8,242,866	7,942,844
Investment Earnings	17,458	1,741	2,292	2,949	209	158	373	960	1,798	2,029
Miscellaneous Income	31,602	82,536	59,478	46,909	3,675	18,916	8,174	30,817	236	10,518
Total Governmental Activities	23,867,376	17,076,292	16,837,643	16,684,132	16,511,575	16,118,659	15,610,451	11,471,278	8,244,900	7,955,391
Business-Type Activities:										
Investment Earnings	1,028	429	364	326	-	-	-	-	-	-
Miscellaneous Income	-	-	-	-	51	309	225	1,053	11,258	3,964
Total Business-Type Activities	1,028	429	364	326	51	309	225	1,053	11,258	3,964
Total Charter School-wide	\$ 23,868,404	\$ 17,076,721	\$ 16,838,007	\$ 16,684,458	\$ 16,511,626	\$ 16,118,968	\$ 15,610,676	\$ 11,472,331	\$ 8,256,158	\$ 7,959,355
Change in Net Assets/Position										
Governmental Activities	\$ 1,997,759	\$ (131,225)	\$ (289,821)	\$ 839,504	\$ 51,754	\$ 878,417	\$ (107,423)	\$ 582,293	\$ 564,879	\$ 1,057,972
Business-Type Activities	59,977	(29,635)	(48,047)	87,886	(31,536)	(914)	67,811	27,767	65,558	18,046
Total Charter School	\$ 2,057,736	\$ (160,860)	\$ (337,868)	\$ 927,390	\$ 20,218	\$ 877,503	\$ (39,612)	\$ 610,060	\$ 630,437	\$ 1,076,018

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund Unassigned	\$ 3,386,577	\$ 1,044,596	\$ 742,434	\$ 1,242,964	\$ 3,132,545	\$ 3,006,291	\$ 2,066,599	\$ 2,409,087	\$ 1,818,923	\$ 1,239,037
Total General Fund	<u>\$ 3,386,577</u>	<u>\$ 1,044,596</u>	<u>\$ 742,434</u>	<u>\$ 1,242,964</u>	<u>\$ 3,132,545</u>	<u>\$ 3,006,291</u>	<u>\$ 2,066,599</u>	<u>\$ 2,409,087</u>	<u>\$ 1,818,923</u>	<u>\$ 1,239,037</u>

Source: Comprehensive Annual Financial Report

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

Fiscal Year Ending June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local Sources:										
Local Tax Levy	\$ 1,952,112	\$ 1,473,761	\$ 1,632,630	\$ 1,522,718	\$ 1,550,128	\$ 1,547,400	\$ 1,495,442	\$ 1,107,102	\$ 887,692	\$ 859,164
Interest in Investments	17,458	1,741	2,292	2,949	209	158	373	960	1,798	2,029
Miscellaneous	31,602	82,536	59,478	46,909	3,675	18,916	8,174	30,817	236	10,518
State Sources	19,118,203	14,923,616	14,425,628	14,473,354	14,381,872	13,827,912	13,102,811	9,649,515	7,265,934	6,790,411
Federal Sources	1,147,123	919,688	919,283	896,993	881,594	1,011,077	1,168,491	875,584	245,865	386,944
Total Revenues	22,266,498	17,401,342	17,039,311	16,942,923	16,817,478	16,405,463	15,775,291	11,663,978	8,401,525	8,049,066
Expenditures:										
Instruction	7,466,755	6,244,705	6,951,105	7,039,449	6,849,254	6,069,098	6,567,794	4,279,997	3,092,141	3,052,805
Administration	6,483,271	5,481,434	5,118,073	5,299,539	4,759,928	4,588,178	4,044,891	3,225,577	2,376,736	1,813,907
Support Services	5,766,121	4,644,424	4,707,895	5,234,039	5,011,868	4,705,884	5,308,229	3,535,733	2,362,321	2,092,491
Capital Outlay	208,370	728,617	762,768	1,259,477	70,174	102,611	196,865	32,507	24,772	63,296
Total Expenditures	19,924,517	17,099,180	17,539,841	18,832,504	16,691,224	15,465,771	16,117,779	11,073,814	7,855,970	7,022,499
Net Change in Fund Balance	\$ 2,341,981	\$ 302,162	\$ (500,530)	\$ (1,889,581)	\$ 126,254	\$ 939,692	\$ (342,488)	\$ 590,164	\$ 545,555	\$ 1,026,567

Source: Comprehensive Annual Financial Report

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

General Fund - Other Local Revenue by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Unaudited

Fiscal Year Ending June 30,	Donations and Contributions	Rentals	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2018	\$ -	\$ -	\$ 3,805	\$ 27,797	\$ 31,602
2017	-	-	746	81,790	82,536
2016	-	-	230	59,248	59,478
2015	168	-	2,697	44,044	46,909
2014	-	600	150	2,925	3,675
2013	-	5,500	180	13,236	18,916
2012	-	8,174	-	-	8,174
2011	-	-	2,633	23,184	25,817
2010	-	-	-	236	236
2009	-	-	-	10,518	10,518

Source: Charter School records

OPERATING INFORMATION

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	112	107	99	98	98	98	87	58	48	45
Administrative	14	10	10	12	12	11	4	4	4	5
Support Services	52	51	50	59	68	67	65	40	36	31
Food Service	1	1	2	2	3	3	3	1	1	1
Total	179	169	161	171	181	179	159	103	89	82

Source: Charter School Personnel Records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2018	1388	\$ 19,716,147	\$ 14,205	-7.33%	107	1:12	1386.20	1320.64	22.95%	95.27%
2017	1068	16,370,563	15,328	-3.06%	101	1:11	1068.00	1051.46	0.48%	98.45%
2016	1061	16,777,073	15,813	-5.97%	99	1:11	1062.90	1022.58	1.44%	96.21%
2015	1045	17,573,027	16,816	4.61%	98	1:11	1047.60	1007.55	1.29%	96.18%
2014	1034	16,621,050	16,075	9.44%	98	1:11	1034.10	1037.95	-0.86%	100.37%
2013	1046	15,363,160	14,688	-4.24%	87	1:11	1043.00	1007.10	0.51%	96.56%
2012	1038	15,920,914	15,338	4.33%	58	1:12	1037.70	969.00	27.72%	93.38%
2011	751	11,041,307	14,702	6.07%	48	1:13	750.10	736.00	24.68%	98.12%
2010	565	7,831,198	13,861	13.13%	45	1:12	565.00	N/A	-0.53%	0.00%
2009	568	6,959,203	12,252	6.08%	39	1:12	568.00	545.00	13.20%	95.95%

Sources: Charter School records

Note: Enrollment based on annual October Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

School Building Information
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Charter School Building</u>										
<u>K-1 Campus</u>										
Square Feet	30,000									
Capacity (students)	288									
Enrollment	288									
<u>2-6 Campus</u>										
Square Feet	68,000	68,000	68,000	68,000	68,000	68,000	68,000	19,138		
Capacity (students)	528	564	564	564	564	564	564	180		
Enrollment	526	564	555	555	560	555	556	176		
<u>7-12 Campus</u>										
Square Feet	87,200	87,200	87,200	87,200	103,000	103,000	103,000	66,213	66,213	66,213
Capacity (students)	576	504	504	504	504	504	504	588	588	588
Enrollment	573	504	490	490	474	485	482	575	561	568

Number of Schools at June 30, 2018
 Elementary/Middle School = 2 (Grades K-6)
 High School/Middle School = 1 (Grades 7-12)

Source: Charter School Facilities Office

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



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

Policy Number: P876AI

Premium: \$74,477.39

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

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

Policy Term: 07/01/2017 to 07/01/2018 12:01 AM Eastern Standard Time

Article I - Property

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



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

Policy Number: P876AI

Article II - Electronic Data Processing

Data Processing Equipment Including Data and Media, Extra Expense, Business Income, Duplicates, Transit and Debris Removal \$550,000 per occurrence

Terrorism Included in Property
Computer Virus \$250,000 (\$10,000,000 NJSIG Annual Aggregate)

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

Article III - Equipment Breakdown

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

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

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



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

Policy Number: P876AI

Article IV - Crime

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

Article V - Comprehensive General Liability

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



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

Policy Number: P876AI

Article VI - Automobile

Liability

Symbol 1 Any Auto

Bodily Injury and Property Damage

\$16,000,000 per accident

Symbol 6 Uninsured/Underinsured Motorists - Private Passenger Autos

\$1,000,000 Per Accident

Symbol 6 Uninsured/Underinsured Motorists - All Other Vehicles

\$15,000 Bodily Injury Per Person

\$30,000 Bodily Injury Per Accident

\$5,000 Property Damage Per Accident

Symbol 5 Personal Injury Protection (including pedestrians)

\$250,000

Medical Payments

\$10,000 private passenger vehicles

\$5,000 all other vehicles

Terrorism

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

Deductible

N/A

Physical Damage (Scheduled vehicles only)

Symbol 7 Comprehensive

\$1,000 deductible

Collision

\$1,000 deductible

Hired Car Physical Damage \$110,000 Limit

\$1,000 deductible

Replacement Cost

Not Covered

Garage Keepers

Included



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

Policy Number: P876AI

Applicable Policy Forms

NJSIG-P1 (7/17); NJSIG-PJLA (7/017); NJSIG-PPCA (7/14); NJSIG-PLR (7/17); NJSIG-DICC (7/15); NJSIG-P2 (7/17);
NJSIG-BI (7/15); NJSIG-PGYM (07/08); NJSIG EDE (7/14)

NJSIG-EDP (7/17)

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

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

NJSIG-G0 (7/17); NJSIG-G1 (7/17); NJSIG-G2 (7/17); NJSIG-G3 (7/17); NJSIG-G4 (7/09); NJSIG-GMP1 (7/17)

NJSIG-A1 (7/17); NJSIG-A2 (7/10); NJSIG-A3 (7/17); NJSIG-A4 (7/11); NJSIG-A5 (7/00); NJSIG-AGK1 (7/00);
NJSIG-A6 (7/11); NJSIG-A7 (7/17); NJSIG-A8 (7/07)

NJSIG-D-PKG (7/17)

NJSIG-CPKG (7/15)

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

NJSIG Executive Director

NJSIG-D-PKG (7/17)

Page 5 of 5



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

Named Insured: Paterson Charter School for Science and Technology

Policy No.: 876AI-01

Policy Period: 07/01/2017 to 07/01/2018

EDP Value: \$550,000

Fine Arts Value: \$0

Business Income Value: \$20,000

Loss of Rents Value:

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

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

Bldg #	Description	Address	Flood Zone	Territory	Protection Class		Square Feet	Effective Date	Building Value		Builders Risk Value		Total Insured Value
					Construction Type	Valuation Basis			Year Built	Expiration Date	Contents Value	Misc Prop Value	
6	Paterson Charter School of Science & Tech (Grades 7-12)(Leased)	194-204 W. Railway Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Masonry	87200	07/01/2017	\$17,788,800				\$20,163,800	
1	Paterson Charter School of Science & Tech (Grades K-6)(Leased)	276 Wabash Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Non-Combustible	68000	07/01/2017	\$13,872,000				\$14,597,000	
8	Storage Trailer	276 Wabash Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Misc Property	0	07/01/2017	\$0			\$7,800	\$7,800	
7	Paterson Charter School of Science & Tech (Grades K-1) (Leased)	53-59 Main Street Paterson, NJ 07505	AE	Inland Replacement Cost	Steel	30400	08/16/2017	\$0				\$230,000	
						2000	07/01/2018	\$230,000					

Policy Totals	\$31,660,800	\$0	\$34,998,600
	\$3,330,000	\$7,800	

New Jersey Schools Insurance Group
Schedule of Automobiles



Named Insured: Paterson Charter School for Science and Technology
Policy No.: 876AI-01
Policy Period: 07/01/2017 to 07/01/2018

Veh #	Sys ID	Year	Make	Model	Vin	Effective Date	Expiration Date	Cost New	ACV/RCV	AL	APD
1	1	2011	Ford	F150 Truck	E03404	07/01/2017	07/01/2018	\$26,523	Actual Cash Value	YES	YES

NOTICE:

This Schedule of Automobiles encompasses all vehicles that are covered during the 07/01/2017 to 07/01/2018 policy period. This is a scheduled vehicle policy, which means that every vehicle must be listed on this schedule in order for coverage to apply. If additional vehicles are purchased during the policy period you must notify your broker or NJSIG Member Services Representative immediately in order for coverage to apply. Also, each vehicle that is removed from service during the policy period must also be reported to your broker or NJSIG Member Services Representative immediately to ensure that the District promptly receives any return premium due.



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

Policy Number: E876AI

Premium: \$40,703.49

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

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

Policy Term: July 1, 2017 to July 1, 2018 12:01 AM Eastern Standard Time

Coverage A

Limit of Liability

NJSIG

\$15,000,000 each policy period Excess of:

QBE Specialty Ins. Co.

\$1,000,000 each policy period/ \$3,000,000 annual aggregate

Deductible

\$5,000 each claim

Coverage B

Limit of Liability

\$100,000 each claim

\$300,000 each policy period

Deductible

\$5,000 each claim

These are claims-made and reported policies. By acceptance of these policies, the Insured agrees that the statements in the Declarations and the application and any attachments hereto are the Insured's agreements and representations and that these policies embody all agreements existing between the Insured and the Companies or any of its agents relating to this insurance.

Retroactive Dates for Coverages A & B

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

Retro Date for Coverage A July 1, 1986

Retro Date for Coverage B July 1, 1986

Policy Forms: NJSIG-E1 (7/15)

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

NJSIG Executive Director

NJSIG-D-EO (7/17)

Page 1



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

Workers' Compensation and Employers' Liability Declarations Page

Policy Number: W876AI

Premium: \$63,166.29

Named Insured:

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

Agent:

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

Policy Term: 07/01/2017 to 07/01/2018 12:01 AM Eastern Standard Time

Estimated Professional & Clerical Payroll	\$8,900,000.00
Estimated Non-Professional Payroll	\$305,000.00
Experience Modifier	0.7087
ERIC West Discount	0.4650

The limits of our liability under Part One: Statutory

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

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

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

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

NJSIG Executive Director



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

Policy Number: P876AI-01

Premium: \$2,282.74

Named Insured:

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

Agent:

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

Policy Term: July 1, 2017 to July 1, 2018 12:01 AM Eastern Standard Time

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

Coverage with respect to the two (2) locations below has changed as follows:

Location Name: Paterson Charter School of Science & Tech (Grades K-6)(Leased)

Full Legal Address: 276 Wabash Avenue, Paterson, NJ 07503

*Building Limit: **Increased from \$13,260,000 to \$14,741,040***

Contents Limit: \$725,000

of Stories: 1 Story

Construction Type: Non Combustible

Year Built: 1960

*Square Footage: **Increased from 65,000 to 72,260***

A \$1,000 deductible per occurrence applies.

Location Name: Paterson Charter School of Science & Tech (Grades 7-12)(Leased)

Full Legal Address: 194-204 W. Railway Avenue, Paterson, NJ 07503

*Building Limit: **Increased from \$17,788,800 to \$18,764,328***

Contents Limit: \$2,375,000

of Stories: 1 Story

Construction Type: Masonry

Year Built: 1960

*Square Footage: **Increased from 87,200 to 91,982***

A \$1,000 deductible per occurrence applies.

The following property has been added to the policy:

Property Type: Storage Trailer

Location Name: 276 Wabash Avenue, Paterson, NJ 07503

Building Limit: \$0

Miscellaneous Property Value: \$7,800

A \$1,000 deductible per occurrence applies.

ZURICH ENVIRONMENTAL LIABILITY COVERAGE DOES NOT APPLY TO THIS LOCATION. ZURICH ENVIRONMENTAL LIABILITY COVERAGE WILL APPLY TO THIS LOCATION EFFECTIVE ON THE NEXT POLICY RENEWAL.

Effective Date: 07/01/2017

Endorsement No.: 15

Date Issued: 11/06/2017

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


William M. Mayo
NJSIG Executive Director

Page 2 of 2



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

Policy Number: P876AI-01

Premium: -\$1,709.01

Named Insured:

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

Agent:

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

Policy Term: July 1, 2017 to July 1, 2018 12:01 AM Eastern Standard Time

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

Coverage with respect to the two (2) locations below has changed as follows:

Location Name: Paterson Charter School of Science & Tech (Grades K-6)(Leased)

Full Legal Address: 276 Wabash Avenue, Paterson, NJ 07503

*Building Limit: **Decreased from \$14,741,040 to \$13,872,000***

Contents Limit: \$725,000

of Stories: 1 Story

Construction Type: Non Combustible

Year Built: 1960

*Square Footage: **Decreased from 72,260 to 68,000***

A \$1,000 deductible per occurrence applies.

Location Name: Paterson Charter School of Science & Tech (Grades 7-12)(Leased)

Full Legal Address: 194-204 W. Railway Avenue, Paterson, NJ 07503

*Building Limit: **Decreased from \$18,764,328 to \$17,788,800***

Contents Limit: \$2,375,000

of Stories: 1 Story

Construction Type: Masonry

Year Built: 1960

*Square Footage: **Decreased from 91,982 to 87,200***

A \$1,000 deductible per occurrence applies.

Effective Date: 07/01/2017

Endorsement No.: 22

Date Issued: 08/07/2018

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



William M. Mayo
NJSIG Executive Director

New Jersey Schools Insurance Group

Public Official Bond

Number P876AI

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

Whereas the said Principal has been appointed to the office of Treasurer. The term for this bond begins July 1, 2017 and ends July 1, 2018, and is required to furnish the bond for the faithful performance of the duties of said position.

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

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

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



NJSIG Executive Director

NJSIG-CBND1 (07/15)

New Jersey Schools Insurance Group

Public Official Bond

Number P876AI

Know all men by these present that we, Ahmet Anar of 77 Ohlson Avenue, Nutley, NJ 07110, in the state of New Jersey as principal and the New Jersey Schools Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Charter School for Science and Technology in the State of New Jersey, in the penal sum of \$200,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Board Secretary. The term for this bond begins July 1, 2017 and ends July 1, 2018, and is required to furnish the bond for the faithful performance of the duties of said position.

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

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

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



NJSIG Executive Director

NJSIG-CBND1 (07/15)

CATLIN

Catlin Insurance Company Incorporated
1330 Post Oak Blvd., Suite 2325, Houston, TX 77056
A Stock Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

POLICYHOLDER:	Catlin Insurance Company, Inc. Insurance Trust;
POLICYHOLDER ADDRESS:	1400 16 th Street, NW, Suite 101, Washington, DC 20036
POLICY NUMBER:	BAH-3000311-0717
PARTICIPATING ORGANIZATION:	Paterson Charter School;
PARTICIPATING ORGANIZATION ADDRESS:	196 W. Railway Ave, Paterson, NJ 07503;
POLICY EFFECTIVE DATE:	July 1, 2017;
POLICY TERM:	July 1, 2017 – July 1, 2018;
ADMINISTRATOR:	Catlin Insurance Company, Inc.
STATE OF ISSUANCE:	New Jersey

This Blank Endorsement is made part of the Policy and Certificate to which it is attached as of the Effective Date shown above. Any changes in coverage apply only with respect to accidents that occur on or after that date. Any changes in premium apply as of the first premium due date on or after the effective date of this Blank Endorsement.

It is hereby understood and agreed that the following changes are made and incorporated into the Policy and certificate:

1. In consideration of the payment of premium of \$14,720, this Policy is renewed for a further period of 12 months beginning at 12:01 AM on July 1, 2018 and ending at 12:01 AM on July 1, 2019.
2. It is hereby understood and agreed that the Policy Number assigned to the Policyholder is amended to read as follows:

POLICY NUMBER: BAH-3000311-0718

If this Endorsement is or ever becomes contrary to any District of Columbia Laws, Statutes, Regulations, Notices or Bulletins, this Endorsement becomes null and void.

The President and Secretary of Catlin Insurance Company, Inc witness this Plan.



President



Secretary

Berkley Life and Health Insurance Company



Urbandale, Iowa
Underwriting Office:
2445 Kuser Road, Suite 201
Hamilton Square, NJ 08690

ADMINISTRATIVE CHANGE RIDER

This Rider is attached to and made a part of Policy Number KSA L404008053306 issued to Paterson Charter School (the Policyholder).

Effective 09/01/2018, the Policy is renewed and **SCHEDULE OF BENEFITS** in the Policy is amended as follows:

The **POLICY PERIOD** is changed to 09/01/2018 to 09/01/2019.

The **POLICY NUMBER** is changed to KSA L404008053307 and the **PREMIUM** is **Class 1, \$72.00; Class 2, \$12.00.**

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

Signed for the Company:

President

Secretary

UNITED STATES FIRE INSURANCE COMPANY
5 Christopher Way, Eatontown, NJ 07724

AMENDATORY ENDORSEMENT

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

Effective July 1, 2018, under Policy Number US944689 Paterson Charter School, the Policy term is amended to read as follows:

Policy Effective Date:	July 1, 2018
Policy Expiration Date:	July 1, 2019
Policy Number:	US1098591
Premium:	\$4,551.75

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

Signed For **UNITED STATES FIRE INSURANCE COMPANY** By:



Marc J. Adee
Chairman and CEO

AHE-27328

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

	2016	2017	2018	Source
	Audit	Audit	Audit	
Cash	852,516	1,108,194	3,223,513	Audit: Exhibit A-1
Current Assets (includes CASH)	1,117,091	1,376,014	3,647,026	Audit: Exhibit A-1
Total Assets	6,192,356	6,831,127	5,678,749	Audit: Exhibit A-1
Current Liabilities	250,913	224,209	176,257	Audit: Exhibit A-1
Total Liabilities	1,063,998	966,631	5,483,364	Audit: Exhibit A-1
Net Assets	(1,905,122)	(2,065,982)	(173,737)	Audit: Exhibit A-1
Total Revenue	17,820,830	18,161,673	25,363,001	Audit: Exhibit A-2
Total Expenses	18,158,698	18,322,533	23,305,265	Audit: Exhibit A-2
Change in Net Assets	(337,868)	(160,860)	2,057,736	Audit: Exhibit A-2
Depreciation Expense	734,804	775,410	328,946	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	1,062.90	1,068.00	1,386.20	DOE Enrollment Reports
March, 30th Budgeted Enrollment	1,067	1,068	1,392	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2016	2017	2018	3 YR CUM	Target
1a. Current Ratio	4.45	6.14	20.69	Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	17.14	22.08	50.49	Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	100%	100%	100%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.* Default	N/A	N/A	N/A	Audit	not in default
Sustainability Indicators					
2a. Total Margin	-2%	-1%	8%	Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	0.17	0.14	0.97	Total Liabilities/Total Assets	<.9
2c.** Cash Flow	462,349	255,678	2,115,319	Net change in cash flow from prior years	3 yr cum positive
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2018 = 2018 Cash - 2017 Cash; 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash

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

SINGLE AUDIT SECTION

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

K-1
Page 1

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated February 28, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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


Compliance and Other Matters

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

Purpose of this Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountant


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

Union, New Jersey
February 28, 2019

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

K-2
Page 1

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

INDEPENDENT AUDITOR’S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Paterson Charter School for Science and Technology’s (Charter School) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the New Jersey Circular 15-08-OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2018. The Charter School’s major federal and state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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


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

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

Purpose of this Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountant


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

Union, New Jersey
February 28, 2019

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grant/Program Title	Federal CFDA Number	FAIN	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2017	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2018	Due to Grantor
U.S. Department of Education														
Medical Assistance Program (SEMI)	93.778	1805N5MAP	N/A	\$ 30,848	7/1/17	6/30/18	\$ -	\$ 30,848	\$ (30,848)	\$ -	\$ -	\$ -	\$ -	\$ -
Total General Fund								30,848	(30,848)	-	-	-	-	-
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84.010	S010A170030	NCLB - 7503 - 18	803,506	7/1/17	6/30/18		701,929	(799,998)			(98,069)		
Title I Part A Carryover	84.010	S010A160030	NCLB - 7503 - 17	678,263	7/1/16	6/30/17	(92,641)	92,641	(10,000)			(398)		
Title III	84.365	S365A170030	NCLB - 7503 - 18	10,000	7/1/17	6/30/18		9,602	(83,967)			(4,165)		
Title II Part A SEA	84.367A	S367A170029	NCLB - 7503 - 18	83,967	7/1/17	6/30/18	(180)	79,802	(83,967)			(4,165)		
Title II Part A SEA Carryover	84.367A	S367A160029	NCLB - 7503 - 17	11,645	7/1/16	6/30/17	(92,621)	180	(93,965)			(102,632)		
Total No Child Left Behind Cluster								884,154	(993,965)			(102,632)		
Special Education Cluster (IDEA):														
I.D.E.A. Part B Basic	84.027	H027A170100	IDEA - 7503 - 18	219,113	7/1/17	6/30/18		219,113	(219,113)			-		
I.D.E.A. Preschool	84.173	H173A170114	IDEA - 7503 - 18	3,197	7/1/17	6/30/18		3,197	(3,197)			-		
Total Special Education Cluster (IDEA)								222,310	(222,310)			-		
Total Special Revenue Fund							(92,821)	1,106,464	(1,116,275)			(102,632)		
U.S. Department of Agriculture														
Passed-through State Department of Agriculture														
Enterprise Fund:														
Child Nutrition Program Cluster:														
School Breakfast Program	10.553	181NJ304N1089	N/A	244,888	7/1/17	6/30/18		228,878	(244,898)			(16,020)		
School Breakfast Program	10.553	171NJ304N1089	N/A	200,225	7/1/16	6/30/17	(12,882)	12,882	(592,408)			(36,018)		
National School Lunch Program - Cash Assistance	10.555	181NJ304N1089	N/A	592,408	7/1/17	6/30/18		556,391	(60,451)			(52,088)		
National School Lunch Program - Cash Assistance	10.555	171NJ304N1089	N/A	372,874	7/1/16	6/30/17	(26,367)	26,367	(60,451)			(34,084)		
National School Lunch Program - Commodities	10.555	181NJ304N1089	N/A	60,451	7/1/17	6/30/18	(92,249)	60,451	(697,756)			(62,088)		
Total Child Nutrition Program Cluster								884,969	(993,965)			(102,632)		
Other Enterprise Funds:														
Fresh Fruits and Vegetable Program	10.582	181NJ304L1603	N/A	31,583	7/1/17	6/30/18		28,966	(31,583)			(2,617)		
Fresh Fruits and Vegetable Program	10.582	171NJ304L1603	N/A	31,014	7/1/16	6/30/17	(1,735)	1,735	(31,583)			(2,617)		
Total Other Enterprise Funds							(40,984)	915,670	(929,341)			(54,655)		
Total Enterprise Fund							(133,805)	2,052,982	(2,076,464)			(157,287)		
Sub-Total Federal Financial Awards								\$ 2,052,982	\$ (2,076,464)			\$ (157,287)		

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2018

State Grantor/Program Title	Client or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017		Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Years Balance	Balance at June 30, 2018		MEMO
			From	To	Deferred Revenues (Accounts Receivable)	Deferred Interfund Payable					Due to Grantor	Budgetary Receivable	
State Department of Education													
General Fund:													
State Aid-Public Cluster:													
Equalization Aid - State Share - Charter School Aid	18-495-034-5120-078	\$ 15,240,087	7/1/17	6/30/18	\$ -	\$ -	\$ -	\$ 15,240,087	\$ (15,240,087)	\$ -	\$ -	\$ -	\$ 15,240,087
Special Education Categorical Aid	18-495-034-5120-089	493,022	7/1/17	6/30/18	-	-	493,022	(493,022)	(493,022)	-	-	-	493,022
Security Aid	18-495-034-5120-084	602,715	7/1/17	6/30/18	-	-	602,715	(602,715)	(602,715)	-	-	-	602,715
Adjustment Aid	18-495-034-5120-085	511,508	7/1/17	6/30/18	-	-	511,508	(511,508)	(511,508)	-	-	-	511,508
Adjustment Aid	17-495-034-5120-085	464,580	7/1/16	6/30/17	(11,748)	-	11,748	-	-	-	-	-	-
Other State Aid	18-495-034-5120-078	171,049	7/1/17	6/30/18	(11,748)	-	171,049	(171,049)	(171,049)	-	-	-	171,049
Total State Aid-Public Cluster							17,030,129	(17,030,129)					17,018,381
Other General Funds:													
On-Behalf TPAF Post-Retirement Medical Contributions	18-495-034-5094-001	608,362	7/1/17	6/30/18	-	-	608,362	(608,362)	(608,362)	-	-	-	608,362
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	941,913	7/1/17	6/30/18	-	-	941,913	(941,913)	(941,913)	-	-	-	941,913
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-003	5,804	7/1/17	6/30/18	-	-	5,804	(5,804)	(5,804)	-	-	-	5,804
Total Other General Funds							2,072,853	(2,072,853)	(2,072,853)	-	-	-	2,099,822
Total General Fund					(11,748)	-	19,102,982	(19,118,203)	(19,118,203)	-	-	(26,969)	19,118,203
State Department of Agriculture													
Enterprise Fund:													
National School Lunch Program (State Share)	18-100-010-3350-023	10,321	7/1/17	6/30/18	(456)	-	9,693	(10,321)	(10,321)	-	-	(628)	10,321
National School Lunch Program (State Share)	17-100-010-3350-023	7,407	7/1/16	6/30/17	-	-	456	-	-	-	-	-	628
Total Enterprise Fund					(456)	-	10,149	(10,321)	(10,321)	-	-	(628)	10,321
Total State Financial Assistance					(12,204)	\$ -	\$ 19,113,131	\$ (19,128,524)	\$ (19,128,524)	\$ -	\$ -	\$ (27,597)	\$ 19,128,524
State Financial Assistance Not Subject to Major Program Determinator:													
General Fund TPAF Post-Retirement Medical Contributions	18-495-034-5094-001	608,362	7/1/17	6/30/18	-	-	608,362	(608,362)	(608,362)	-	-	-	608,362
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	941,913	7/1/17	6/30/18	-	-	941,913	(941,913)	(941,913)	-	-	-	941,913
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	5,804	7/1/17	6/30/18	-	-	5,804	(5,804)	(5,804)	-	-	-	5,804
Total On-Behalf TPAF Pension System Contributions							(1,556,079)	1,556,079	1,556,079	-	-	-	(1,556,079)
Total State Financial Assistance Subject to Major Program Determination					(12,204)	\$ -	\$ 17,557,052	\$ (17,572,445)	\$ (17,572,445)	\$ -	\$ -	\$ (27,597)	\$ 17,572,445

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2018

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2018

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

	Federal	State	Total
General Fund	\$ 30,848	\$ 19,118,203	\$ 19,149,051
Special Revenue Fund	1,116,275		1,116,275
Food Service Fund	929,341	10,321	939,662
Total Awards & Financial Assistance	\$ 2,076,464	\$ 19,128,524	\$ 21,204,988

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Paterson Charter School for Science and Technology has no loan balances outstanding at June 30, 2018.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amounts reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Contributions, and TPAF Long-Term Disability Insurance Contributions represent the amount paid by the State on behalf of the Charter School for the year ended June 30, 2018. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2018

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

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

Program	<u>Total</u>
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 799,998
Title II, Part A: <i>Improving Teacher Quality State Grants</i>	83,967
Title III: <i>English Language Acquisition State Grants</i>	<u>10,000</u>
Total	<u>\$ 893,965</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards

Internal control over major programs:

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

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

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

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

Identification of major federal programs:

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

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

State Awards

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

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

Internal control over major programs:

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

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

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

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

Identification of major state programs:

GMIS Number(s)	Name of State Program
	STATE AID – PUBLIC CLUSTER
<u>18-495-034-5120-078</u>	<u>Equalization Aid-State Share-Charter School Aid</u>
<u>18-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>18-495-034-5120-084</u>	<u>Security Aid</u>
<u>18-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>18-495-034-5120-078</u>	<u>Other State Aid</u>
_____	_____

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section II –Financial Statement Findings – N/A

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

Finding

There were no matters reported.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section III –Federal and State Financial Assistance
Findings and Questioned Costs – N/A

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

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Summary Schedule of Prior Year Audit Findings
And Questioned Costs As Prepared by Management
For the Fiscal Year Ended June 30, 2018

STATUS OF PRIOR-YEAR FINDINGS – N/A

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

Findings

There were no matters reported.