

**M.E.T.S. CHARTER SCHOOL**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019**

**Comprehensive Annual  
Financial Report**

**of the**

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

**Jersey City, New Jersey**

**For the Fiscal Year Ended June 30, 2019**

**Prepared by**

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

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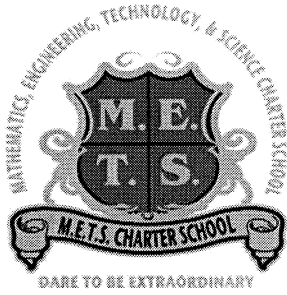
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INTRODUCTORY SECTION



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Ms. Gail Long – School Business Administrator & Board Secretary

November 15, 2019

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

Dear Board Members:

The comprehensive annual financial report of M.E.T.S. Charter School (the "Charter School") for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

#### 1) REPORTING ENTITY AND ITS SERVICES:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, M.E.T.S. offers a comprehensive after-school program Monday through Friday, from 3:00-5:00 pm. The Charter School completed the 2018-2019 fiscal year with an enrollment of 701 students.

## 2) MAJOR INITIATIVES:

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

## 3) ECONOMIC CONDITION AND OUTLOOK:

Jersey City's proximity to New York City and easy access via major highways are attractive features that made it a choice for many companies that conduct business in the metropolitan New York area. The waterfront downtown development activities in Jersey City have been economic stimulus giving rise to a significant amount of residential housing development as well as existing construction in the City. Newark's resurgence as a major metropolitan city has provided an economic boon in financial, entertainment and housing markets. With the construction and development of the Prudential Center, New Jersey Performing Arts Center and many new small cultural centers, re-engaged investors and families alike have returned to call "Brick City" their home.

## 4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

#### 5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2019.

#### 6) ACCOUNTING SYSTEM AND REPORTS:

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

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

#### 9) CASH MANAGEMENT:

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

#### 8) RISK MANAGEMENT:

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

The Honorable Chairperson and Members  
of the Board of Trustees  
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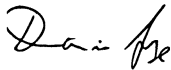
9) OTHER INFORMATION:

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

10) ACKNOWLEDGMENTS:

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

Respectfully submitted,



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Damion Frye, Lead Administrator  
School Business Administrator/Board Secretary

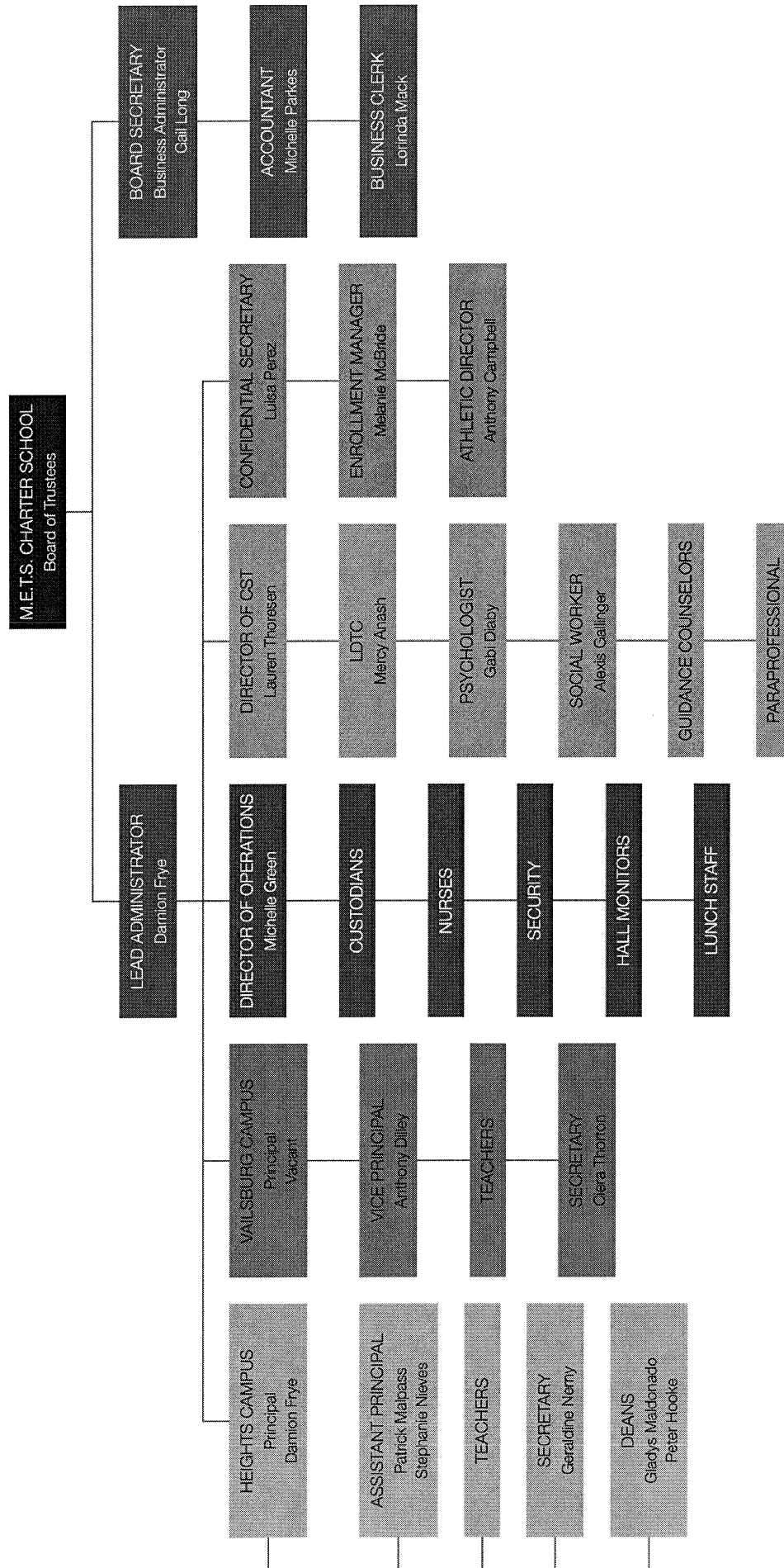


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Gail Long, S.B.A.  
School Business Administrator/Board Secretary

# METS CHARTER SCHOOL

## Organizational Chart





M.E.T.S. CHARTER SCHOOL  
ROSTER OF OFFICIALS  
JUNE 30, 2019

<u>Members of the Board of Trustees:</u>	<u>Expiration of Term</u>
Yulee Kim - Board President	2020
Leah DeLeon - Vice President	2022
Wilson Pichardo	2020
Sandy Rubin	2021
Jason Skeeter	2022

<u>Other Officials</u>	<u>Title</u>
Damion Frye	Lead Administrator
Gail Long	Business Administrator/Board Secretary

# **M.E.T.S. CHARTER SCHOOL**

Consultants and Advisors

## **Audit Firm**

### **Nisivoccia LLP**

Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ, 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

## **Attorney**

### **Barry A. Cooke, Esq.**

Wilentz Goldman & Spitzer, PA  
2 Industrial Way West  
Eatontown, NJ 07724-2265

## **Official Depository**

### **PNC Bank**

Newark, NJ 07631

FINANCIAL SECTION

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mathematics, Engineering, Technology, and Science (M.E.T.S) Charter School of Jersey City (the "Charter School") in the County of Hudson, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Education of the M.E.T.S. Charter School, in the County of Hudson, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

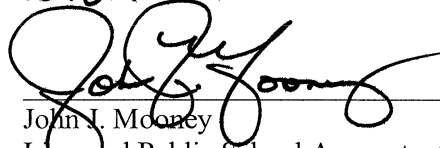
The accompanying other supplementary schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

November 15, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP  
*NISIVOCCIA LLP*  
  
\_\_\_\_\_  
John J. Mooney  
Licensed Public School Accountant #2602  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**M.E.T.S. Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

This section of M.E.T.S. Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

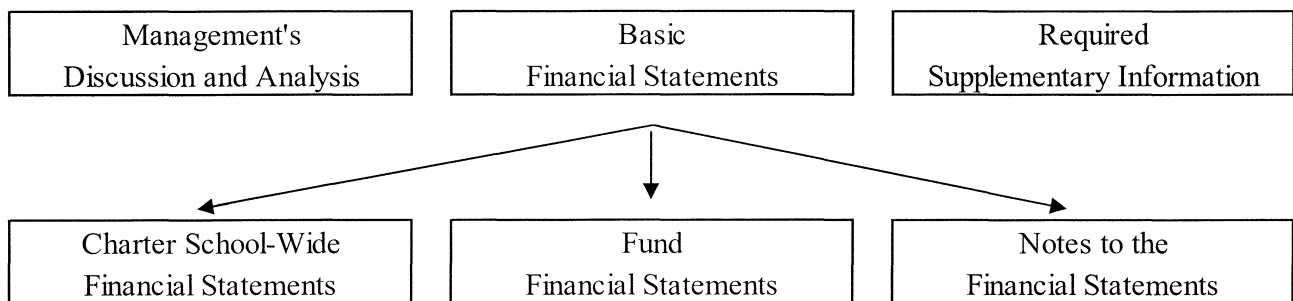
**Overview of the Financial Statements**

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

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

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

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





**M.E.T.S. Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

**Figure A-2**

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

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

**M.E.T.S. Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

***Charter School-wide Statements***

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

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

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

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

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

***Fund Financial Statements***

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

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

The School has two kinds of funds:

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

**M.E.T.S. Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

***Fund Financial Statements (Cont'd)***

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

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

**Financial Analysis of the School as a Whole**

*Net Position.* The Charter School's *combined* net position was \$313,023 on June 30, 2019, \$603,596 or 65.85% less than it was the year before. (See Figure A-3).

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

	Government Activities		Percentage
	2018/2019	2017/2018	Change 2018/2019
Current and Other Assets	\$ 1,631,636	\$ 2,193,684	
Capital Assets, Net	72,320	69,877	
Total Assets	<u>1,703,956</u>	<u>2,263,561</u>	-24.72%
Deferred Outflows of Resources	<u>865,404</u>	<u>590,807</u>	46.48%
Other Liabilities	427,567	711,272	
Long-Term Liabilities	<u>1,305,994</u>	<u>817,199</u>	
Total Liabilities	<u>1,733,561</u>	<u>1,528,471</u>	13.42%
Deferred Inflows of Resources	<u>522,776</u>	<u>409,278</u>	27.73%
Net Position:			
Net Investment in Capital Assets	72,320	69,877	
Restricted	75,000	75,000	
Unrestricted	<u>165,703</u>	<u>771,742</u>	
Total Net Position	<u>\$ 313,023</u>	<u>\$ 916,619</u>	<u>-65.85%</u>

**M.E.T.S. Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

*Changes in Net Position.* The Charter School's net position decreased \$603,596 during the year. Net Investment in Capital Assets increased due to additions net of depreciation. Restricted net position remained at \$75,000. Unrestricted net position decreased \$606,039 primarily due to an increase in net pension liability and compensated absence liability.

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

	Governmental Activities		Percentage
	<u>2018/2019</u>	<u>2017/2018</u>	<u>Change</u> <u>2018/2019</u>
Revenue:			
Program Revenue:			
Operating Grants and Contributions	\$ 2,670,844	\$ 2,985,146	
General Revenue:			
Local Property Taxes - Charter School Aid	2,049,770	2,055,688	
Unrestricted Federal and State Aid	7,166,472	7,058,889	
Other	68,827	7,143	
Total Revenue	<u>11,955,913</u>	<u>12,106,866</u>	-1.25%
Expenses:			
Instruction	7,219,875	7,133,323	
Student and Instruction Related Services	655,218	410,235	
Administration and Business	2,078,212	1,986,734	
Operations and Maintenance	2,450,628	1,795,277	
Pupil Transportation	155,576	189,066	
Total Expenses	<u>12,559,509</u>	<u>11,514,635</u>	9.07%
Increase/(Decrease) in Net Position	<u>\$ (603,596)</u>	<u>\$ 592,231</u>	-202%

**Governmental Activities**

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

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

**M.E.T.S. Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

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

	Total Cost of Services		Net Cost of Services	
	2018/2019	2017/2018	2018/2019	2017/2018
Instruction	\$ 7,219,875	\$ 7,133,323	\$ 4,630,338	\$ 4,283,270
Student & Instruction Related Services	655,218	410,235	655,218	410,235
Administration and Business	2,078,212	1,986,734	2,014,665	1,851,641
Maintenance & Operations	2,450,628	1,795,277	2,432,868	1,795,277
Transportation	155,576	189,066	155,576	189,066
<b>Total</b>	<b>\$ 12,559,509</b>	<b>\$ 11,514,635</b>	<b>\$ 9,888,665</b>	<b>\$ 8,529,489</b>

**Financial Analysis of the Charter School's Funds**

The Charter School's financial position decreased on a fund basis. This is primarily due to expenses exceeding revenues due to reduced funding on a per student average compared to the previous year.

**General Fund Budgetary Highlights**

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

**Capital Assets and Long-term Liabilities Administration**

**Figure A-6  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Percent
	2018/2019	2017/2018	Change 2018/2019
Buildings and Building Improvements	\$ 56,364	\$ 66,767	
Machinery and Equipment	15,956	3,110	
<b>Total Capital Assets, Net of Depreciation</b>	<b>\$ 72,320</b>	<b>\$ 69,877</b>	<b>3.50%</b>

**M.E.T.S. Charter School  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

***Long-term Liabilities***

At year-end, the Charter School has \$951,579 of net pension liability and \$354,415 in compensated absences – as shown in Figure A-7. (More detailed information about the Charter School’s long-term liabilities is presented in the Notes to the Basic Financial Statements, Note 5).

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

	Total School District		Percentage
	2018/2019	2017/2018	Change 2018/2019
Net Pension Liability	\$ 951,579	\$ 672,023	
Compensated Absences	354,415	145,176	
	<u>\$ 1,305,994</u>	<u>\$ 817,199</u>	59.81%

**Factors Bearing on the Charter School’s Future**

The State of New Jersey continues to face serious budgetary constraints. This has impacted the amount of state aid allocated to charter schools. This reality was taken into account when adopting the General Fund budget for 2019-2020. Every effort was directed to providing quality education to the community. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs needed to meet New Jersey’s Core Curriculum Content Standards.

**Contacting the District’s Financial Management**

This financial report is designed to provide the Charter School’s students, parents, sending school districts, customers and investors and creditors with a general overview of the School’s finances and to demonstrate the Charter School’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter School Office, 746 Sanford Ave, Newark, NJ 07106.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS



M.E.T.S. CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 777,201
Interfund Receivable - Fiduciary Funds	1,297
Receivable from Local Governments	216,606
Receivable from State Government	13,810
Receivable from Federal Government	556,703
Prepaid Expenses	66,019
Capital Assets:	
Depreciable Buildings and Building Improvements, and Machinery and Equipment, Net	<u>72,320</u>
Total Assets	<u>1,703,956</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pensions	<u>865,404</u>
Total Deferred Outflows of Resources	<u>865,404</u>
<b>LIABILITIES</b>	
Accounts Payable	376,802
Unearned Revenue	50,765
Noncurrent Liabilities:	
Due Beyond One Year	<u>1,305,994</u>
Total Liabilities	<u>1,733,561</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pensions	<u>522,776</u>
Total Deferred Inflows of Resources	<u>522,776</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	72,320
Restricted for:	
Charter School Escrow	75,000
Unrestricted	<u>165,703</u>
Total Net Position	<u><u>\$ 313,023</u></u>

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

M.E.T.S. CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Governmental Activities
Governmental Activities:			
Instruction:			
Regular	\$ 6,491,606	\$ 2,362,029	\$ (4,129,577)
Special Education	357,117	196,551	(160,566)
Other Instruction	371,152	30,957	(340,195)
Support Services:			
Student & Instruction Related Services	655,218		(655,218)
General Administration Services	1,550,973	48,610	(1,502,363)
School Administration Services	43,141		(43,141)
Central Services	266,231	8,208	(258,023)
Administrative Information Technology	217,867	6,729	(211,138)
Plant Operations and Maintenance	2,450,628	17,760	(2,432,868)
Pupil Transportation	155,576		(155,576)
Total Governmental Activities	12,559,509	2,670,844	(9,888,665)
Total Primary Government	\$ 12,559,509	\$ 2,670,844	(9,888,665)
General Revenue:			
Taxes:			
Local Property Taxes - Charter School Aid			2,049,770
Unrestricted Federal and State Aid			7,166,472
Investment Earnings			2,888
Miscellaneous Income			65,939
Total General Revenue			9,285,069
Change in Net Position			(603,596)
Net Position - Beginning			916,619
Net Position - Ending			\$ 313,023

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

FUND FINANCIAL STATEMENTS

M.E.T.S. CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 777,201		\$ 777,201
Interfund Receivable	408,769		408,769
Intergovernmental Receivable:			
Federal		\$ 556,703	556,703
State	13,810		13,810
Other	216,606		216,606
Prepaid Expenses	66,019		66,019
Total Assets	\$ 1,482,405	\$ 556,703	\$ 2,039,108
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 208,521	\$ 98,466	\$ 306,987
Unearned Revenue		50,765	50,765
Interfund Payable		407,472	407,472
Total Liabilities	208,521	556,703	765,224
LIABILITIES AND FUND BALANCES:			
Fund Balances:			
Restricted:			
Charter School Escrow	75,000		75,000
Assigned:			
Year End Encumbrances	345,888		345,888
Unassigned	852,996		852,996
Total Fund Balances	1,273,884		1,273,884
Total Liabilities and Fund Balances	\$ 1,482,405	\$ 556,703	\$ 2,039,108

M.E.T.S. CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>Total Governmental Funds</u>
Amounts Reported for <i>Governmental Activities</i> in the <i>Statement of Net Position</i> (Exhibit A-1) are different because:	
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	\$ 72,320
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(354,415)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the funds.	(951,579)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Deferred Outflows	786,663
Deferred Inflows	<u>(513,850)</u>
Net Position of Governmental Activities	<u>\$ 313,023</u>

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

M.E.T.S. CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Charter School Aid	\$ 2,049,770		\$ 2,049,770
Miscellaneous	68,827	\$ 39,435	108,262
Total - Local Sources	2,118,597	39,435	2,158,032
State Sources	8,193,475		8,193,475
Federal Sources		640,132	640,132
Total Revenue	<u>10,312,072</u>	<u>679,567</u>	<u>10,991,639</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular Instruction	3,537,306	526,981	4,064,287
Special Education Instruction	107,375	152,586	259,961
School Sponsored Instruction	144,137		144,137
Support Services and Undistributed Costs:			
Student & Instructional Related Services	655,856		655,856
General Administration Services	1,198,134		1,198,134
School Administration Services	68,191		68,191
Central Services	206,042		206,042
Administrative Information Technology	168,523		168,523
Student Transportation Services	155,576		155,576
Plant Operations and Maintenance	2,326,151		2,326,151
Unallocated Employee Benefits	1,987,560		1,987,560
Capital Outlay	14,753		14,753
Total Expenditures	<u>10,569,604</u>	<u>679,567</u>	<u>11,249,171</u>
Deficit of Revenue under Expenditures	<u>(257,532)</u>		<u>(257,532)</u>
Fund Balance—July 1	<u>1,531,416</u>		<u>1,531,416</u>
Fund Balance—June 30	<u>\$ 1,273,884</u>	<u>\$ - 0 -</u>	<u>\$ 1,273,884</u>

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

M.E.T.S. CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$ (257,532)
Amounts Reported for <i>Governmental Activities</i> in the <i>Statement of Activities (Exhibit A-2) are Different Because:</i>	
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation in the period.</p> <p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p> <p>The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:</p>	
Change in Net Pension Liability	(279,556)
Change in Deferred Outflows	258,362
Change in Deferred Inflows	(118,074)
Change in Net Position (from Exhibit A-2)	\$ (603,596)

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

M.E.T.S. CHARTER SCHOOL  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<u>Agency</u>		<u>Total</u>
	<u>Payroll</u>	<u>Student Activities</u>	
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 93,222	\$ 41,358	\$ 134,580
Total Assets	<u>\$ 93,222</u>	<u>\$ 41,358</u>	<u>\$ 134,580</u>
<u>LIABILITIES:</u>			
Due to Student Groups		\$ 41,358	\$ 41,358
Interfund Payable:			
General Fund	\$ 1,297		1,297
Unemployment Trust Fund	23,749		23,749
Payroll Deductions and Withholdings	<u>68,176</u>		<u>68,176</u>
Total Liabilities	<u>\$ 93,222</u>	<u>\$ 41,358</u>	<u>\$ 134,580</u>

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



M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

Charter School-Wide Financial Statements:

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Charter School-Wide Financial Statements (Cont'd)

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

Fund Financial Statements:

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

The Charter School reports the following governmental funds:

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

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

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Budgets/Budgetary Control:

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,312,072	\$ 728,115
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(48,548)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 10,312,072	\$ 679,567
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,569,604	\$ 728,115
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 reporting purposes.		(48,548)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 10,569,604	\$ 679,567

E. Cash and Cash Equivalents and Investments:

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

K. Capital Assets:

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

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

	Estimated Useful Life
Building Improvements	20 years
Equipment	10 years

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

L. Long Term Liabilities:

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

M. Accrued Salaries and Wages:

Certain Charter School employees, who provide services to the Charter School over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2019, there were no accrued salaries.

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,273,884 General Fund fund balance at June 30, 2019, \$75,000 is restricted for Charter School Escrow, \$345,888 is assigned for encumbrances and \$852,996 is unassigned.

Q. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources and deferred inflows of resources related to pension at June 30, 2019.

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

Q. Net Position: (Cont'd)

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

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

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

R. Deficit Net Position

The Charter School does not have a deficit in net position as of June 30, 2019. A deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has funds restricted at June 30, 2019 for Charter School Escrow.

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

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2019.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has assigned resources at June 30, 2019 for year-end encumbrances.



M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Management Estimates:

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

V. Pensions:

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

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Deposits:

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

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

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

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

Investments:

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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

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

As of June 30, 2019, cash and cash equivalents of the Charter School consisted of the following:

	<u>Cash and Cash Equivalents</u>
Checking & Savings Accounts	<u>\$ 911,781</u>

During the period ended June 30, 2019, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents at June 30, 2019 was \$911,781 and the bank balance was \$1,171,006.

M.E.T.S. CHARTER SCHOOL,  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Increases	Decreases/ Adjustments	Balance June 30, 2019
Governmental Activities:				
Capital Assets Being Depreciated:				
Building Improvements	\$ 104,032			\$ 104,032
Equipment	8,971	\$ 15,391		24,362
Total Capital Assets Being Depreciated	113,003	15,391		128,394
Governmental Activities Capital Assets	113,003	15,391		128,394
Less Accumulated Depreciation for:				
Building Improvements	(37,265)	(10,403)		(47,668)
Equipment	(5,861)	(2,545)		(8,406)
Total Accumulated Depreciation	(43,126)	(12,948)		(56,074)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 69,877</u>	<u>\$ 2,443</u>	<u>\$ - 0 -</u>	<u>\$ 72,320</u>

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

Depreciation expense was charged to governmental functions as follows:

General Administration	\$ 683
Plant Operations and Maintenance	12,265
	<u>\$ 12,948</u>

NOTE 5. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in long-term liabilities reported in the district-wide financial statements:

	Balance June 30, 2018	Accrued	Retired	Balance June 30, 2019
Compensated Absences Payable	\$ 145,176			\$ 145,176
Net Pension Liability	672,023	\$ 279,556		951,579
	<u>\$ 817,199</u>	<u>\$ 279,556</u>	<u>\$ - 0 -</u>	<u>\$ 1,096,755</u>

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

A. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$951,579. See Note 6 for more information on PERS.

B. Compensated Absences Payable

The Charter School's compensated absences payable of its Governmental activities will be liquidated through the General Fund. There is no current portion payable; therefore, the entire balance of \$354,415 as of June 30, 2019 is included in the long-term portion of long-term liabilities.

NOTE 6. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for PERS:

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years which began 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 \$49,004 for fiscal year 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2019, the Charter School reported a liability of \$951,579 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Charter School's proportion was 0.0048%, which was an increase of 0.0019% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the Charter School recognized pension expense of \$69,815. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions on the following page:

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 7,532	
	2015	5.72	33,994	
	2016	5.57	115,278	
	2017	5.48		\$ 175,416
	2018	5.63		128,848
			<u>156,804</u>	<u>304,264</u>
Difference Between Expected and Actual Experience	2015	5.72	9,432	
	2016	5.57	3,498	
	2017	5.48	5,217	
	2018	5.63		4,907
			<u>18,147</u>	<u>4,907</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		(5,751)
	2016	5.00		(32,146)
	2017	5.00		28,933
	2018	5.00		17,890
				<u>8,926</u>
Changes in Proportion	2014	6.44	82,825	
	2015	5.72		37,046
	2016	5.57	176,856	
	2017	5.48		167,633
	2018	5.63		
			<u>360,957</u>	<u>167,633</u>
			<u>620,638</u>	<u>204,679</u>
District Contribution Subsequent to the Measurement Date	2018	1.00	69,815	
			<u>69,815</u>	
			<u>\$ 865,404</u>	<u>\$ 522,776</u>

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



M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 6,604
2019	(9,144)
2020	(65,571)
2021	(56,837)
2022	(18,198)
	\$ (143,146)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Charter School's proportionate share of the Net Pension Liability	\$ 1,196,502	\$ 951,579	\$ 746,106

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 the age of 62 and Tier 5 before the age of 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.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which 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 2019, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific 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 District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$525,917 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$1,218,296.

The employee contribution rate was 7.50% effective July 1, 2018.

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the Charter School was \$20,898,264. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Charter School's proportion was 0.032%, which was an increase of 0.005% from its proportion measured as of June 30, 2017.

Charter School's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		20,898,264
Total	\$	20,898,264

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the Charter School in the amount of \$1,218,296 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$ 10,084,192,916
	2018	8.29		5,994,557,085
				<u>11,053,759,853</u>
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	1,051,605,259	
				<u>1,420,239,017</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5		(192,642,062)
	2016	5		(863,710,381)
	2017	5		678,024,787
	2018	5		384,121,486
				<u>5,793,830</u>
			<u>\$12,473,998,870</u>	<u>\$ 16,180,773,643</u>

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	<u>\$ (3,706,774,773)</u>

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45%
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. 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 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.



M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 6. PENSION PLANS (Cont'd)

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

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

The following presents the State's proportionate share of the net pension liability associated with the Charter School as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 24,701,352	\$ 20,898,264	\$ 17,745,598

Pension Plan Fiduciary Net Position

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

NOTE 7. RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance

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

Fiscal Year	Employer/Employee Contributions	Amount Reimbursed	Ending Balance
2018-2019	\$ 43,634	\$ 43,634	\$ 23,749
2017-2018	44,477	44,477	23,749
2016-2017	15,470	13,945	23,749

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 7. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance

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

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

The audit of the NJSIG as of June 30, 2019 is not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2018 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 342,337,056
Net Position	\$ 82,580,885
Total Revenue	\$ 133,258,299
Total Expenses	\$ 129,340,074
Change in Net Position	\$ 3,918,225
Member Dividends	\$ -0-

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

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 8. ECONOMIC DEPENDENCY

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

NOTE 9. DEFERRED COMPENSATION

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

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2019.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 408,769	
Special Revenue Fund		\$ 407,472
Fiduciary Funds		1,297
	\$ 408,769	\$ 408,769

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

NOTE 11. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 11. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

	Special Revenue Fund	Total Governmental Funds
Encumbrances	\$ 48,548	\$ 48,548

On the Charter School's Governmental Fund Balance Sheet as of June 30, 2019, \$48,458 is assigned for year-end encumbrances in Special Revenue Fund, which is \$48,548 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 12. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities as of June 30, 2019 consisted of the following:

	Governmental Funds		District Contri- bution Subsequent to the Measure- ment Date	Total Governmental Activities
	General Fund	Special Revenue Fund		
Vendors	\$ 208,521	\$ 98,466		\$ 306,987
State of New Jersey			\$ 69,815	69,815
	\$ 208,521	\$ 98,466	\$ 69,815	\$ 376,802

NOTE 13. LEASE OF FACILITIES

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

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

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

Fiscal Year Ending	Amount
June 30, 2020	\$ 738,583
Total future minimum lease payments	\$ 738,583

M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

NOTE 14. OPERATING LEASE

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

Fiscal Year Ending	Amount
June 30, 2020	\$ 5,600

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

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

Plan Description and Benefits Provided (Cont'd)

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	<u>217,131</u>
Total	<u><u>362,181</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017.

Actuarial Assumptions and Other Inputs

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively

M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
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NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years

Discount Rate

The discount rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2017	\$ 4,182,668
Changes for Year:	
Service Cost	615,162
Interest on the Total OPEB Liability	170,611
Changes of Assumptions	(2,100,820)
Differences between Expected and Actual Experience	(67,229)
Gross Benefit Payments by the State	2,324
Contributions from Members	(288,517)
Net Changes	(1,668,469)
Balance at June 30, 2018	\$ 2,514,199

M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 2,972,295	\$ 2,514,199	\$ 2,150,060

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 2,078,132	\$ 2,514,199	\$ 3,090,914

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$515,444 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.



M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

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

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

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ (305,392)
Changes in Assumptions	2018	9.51		(258,179)
				(563,571)
Differences Between Expected and Actual Experience	2018	9.51		(244,059)
Changes in Proportion	N/A	N/A		(1,258,801)
				(1,502,860)
			\$ -0-	\$(2,066,431)

N/A - Not Available

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018	\$ (99,520)
2019	(99,520)
2020	(99,520)
2021	(99,520)
2022	(99,520)
Thereafter	(310,028)
	\$ (807,630)

REQUIRED SUPPLEMENTARY SCHEDULES

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
	2019	2018	2017	2019
Charter School's proportion of the net pension liability	0.0028079094%	0.0021678854%	0.0040976571%	0.0028868951%
Charter School's proportionate share of the net pension liability	\$ 525,717	\$ 486,647	\$ 1,213,609	\$ 672,023
Charter School's covered employee payroll	\$ 189,903	\$ 213,186	\$ 218,986	\$ 304,353
Charter School's proportionate share of the net pension liability attributable to the Charter School as a percentage of its covered employee payroll	276.83%	228.27%	554.19%	220.80%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%
				53.60%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 23,148	\$ 18,650	\$ 55,629	\$ 20,527	\$ 49,004
Contributions in relation to the contractually required contribution	(23,148)	(18,650)	(37,643)	(20,527)	(49,004)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ 17,986	\$ -0-	\$ -0-
Charter School's covered employee payroll	\$ 213,186	\$ 213,186	\$ 213,186	\$ 218,986	\$ 304,353
Contributions as a percentage of covered employee payroll	10.86%	8.75%	26.09%	9.37%	16.10%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the Charter School	0.0123871009%	0.0132732412%	0.0193884481%	0.0266217811%	0.0328496855%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,620,502	\$ 8,389,255	\$ 15,252,188	\$ 17,949,365	\$ 20,898,264
Charter School's covered employee payroll	\$ 1,571,024	\$ 2,245,741	\$ 2,789,251	\$ 2,689,900	\$ 2,917,050
State's proportionate share of the net pension liability as a percentage of its covered employee payroll	421.41%	373.56%	546.82%	667.29%	716.42%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 356,245	\$ 512,240	\$ 1,145,990	\$ 1,243,441	\$ 1,218,296
Contributions in relation to the contractually required contribution	<u>(71,760)</u>	<u>(155,232)</u>	<u>(288,972)</u>	<u>(483,760)</u>	<u>(525,917)</u>
Contribution deficiency/(excess)	<u>\$ 284,485</u>	<u>\$ 357,008</u>	<u>\$ 857,018</u>	<u>\$ 759,681</u>	<u>\$ 692,379</u>
Charter School's covered employee payroll	\$ 2,245,741	\$ 2,789,251	\$ 2,689,900	\$ 2,917,050	\$ 3,332,141
Contributions as a percentage of covered employee payroll	3.20%	5.57%	10.74%	16.58%	15.78%

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

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

	Fiscal Years Ending June 30,	
	2017	2018
Total OPEB Liability		
Service Cost	\$ 742,023	\$ 615,162
Interest Cost	135,938	170,611
Difference Between Expected and Actual Experiences		(2,100,820)
Changes in Assumptions	(676,024)	(288,517)
Member Contributions	3,567	2,324
Gross Benefit Payments	(96,879)	(67,229)
Net Change in Total OPEB Liability	108,625	(1,668,469)
Total OPEB Liability - Beginning	\$ 4,074,043	\$ 4,182,668
Total OPEB Liability - Ending	\$ 4,182,668	\$ 2,514,199
District's Covered Employee Payroll *	\$ 3,008,237	\$ 2,994,253
Total OPEB Liability as a Percentage of Covered Employee Payroll	139.04%	83.97%

\* - Covered payroll for the fiscal years ending June 30, 2017 and 2018 are based on the payroll in the June 30, 2016 and 2017 census data, respectively.

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.



M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

B. TEACHERS' PENSION AND ANNUITY FUND (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: 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.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

M.E.T.S. CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BUDGETARY COMPARISON SCHEDULES

M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 2,482,996	\$ (433,226)	\$ 2,049,770	\$ 2,049,770	
Interest				2,888	\$ 2,888
Miscellaneous				65,939	65,939
Total - Local Sources	2,482,996	(433,226)	2,049,770	2,118,597	68,827
State Sources:					
Local Levy - Charter School Aid - State Share	8,058,413		8,058,413	6,565,347	(1,493,066)
Special Education Aid - Charter School Aid	468,897		468,897	333,703	(135,194)
Security Aid	353,669		353,669	267,422	(86,247)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				525,917	525,917
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				11,009	11,009
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				243,549	243,549
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				2,263	2,263
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				244,265	244,265
Total State Sources	8,880,979		8,880,979	8,193,475	805,562
Total Revenues	11,363,975	(433,226)	10,930,749	10,312,072	(618,677)

M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Regular Programs - Instruction:					
Grades 6-8 - Salaries of Teachers	\$ 3,493,833	\$ 498,771	\$ 498,771	\$ 489,466	\$ 9,305
Grades 9-12 - Salaries of Teachers		(1,174,440)	2,319,393	2,273,315	46,078
Home Instruction:					
Salaries of Teachers		27,984	27,984	27,931	53
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	198,000	(198,000)			
Purchased Technical Services	451,900	(282,245)	169,655	124,075	45,580
Other Purchased Services	93,447	208,867	302,314	276,996	25,318
Tuition - Private School Disabled		89,365	89,365	79,536	9,829
General Supplies	174,880	56,330	231,210	218,866	12,344
Textbooks	10,000	21,296	31,296	13,745	17,551
Miscellaneous	40,430	(30,680)	9,750	9,233	517
Other Objects		24,600	24,600	24,143	457
Total Regular Programs - Instruction	4,462,490	(758,152)	3,704,338	3,537,306	167,032
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers		56,256	56,256	49,798	6,458
Total Resource Room/Resource Center		56,256	56,256	49,798	6,458
Bilingual Education - Instruction:					
Salaries of Teachers		58,729	58,729	57,577	1,152
Total Bilingual Education - Instruction		58,729	58,729	57,577	1,152
Total Special Education - Instruction		114,985	114,985	107,375	7,610

M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures:</b>					
<b>School-Sponsored Cocurricular Activities - Instruction:</b>					
Salaries	\$	71,672	\$ 71,672	\$ 70,267	\$ 1,405
Supplies and Materials		8,376	8,376	6,365	2,011
Transfer to Cover Deficit (Agency Funds)		1,200	1,200	1,125	75
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>		<b>81,248</b>	<b>81,248</b>	<b>77,757</b>	<b>3,491</b>
<b>School-Sponsored Athletics - Instruction:</b>					
Salaries		48,500	48,500	31,500	17,000
Supplies and Materials	\$	8,000	23,000	22,949	51
Other Purchased Services		(4,578)	15,422	11,931	3,491
<b>Total School-Sponsored Athletics - Instruction</b>		<b>51,922</b>	<b>86,922</b>	<b>66,380</b>	<b>20,542</b>
<b>Total Instruction</b>		<b>(509,997)</b>	<b>3,987,493</b>	<b>3,788,818</b>	<b>198,675</b>
<b>Undistributed Expenditures - Instructional Staff Training Services</b>					
Other Purchased Services (400-500 Services)	19,544	(19,469)	75	75	
<b>Total Undistributed Expenditures - Instructional Staff Training Services</b>	<b>19,544</b>	<b>(19,469)</b>	<b>75</b>	<b>75</b>	
<b>Undistributed Expenditures - Health Services:</b>					
Salaries	133,900	(106,138)	27,762	27,218	544
Purchased Professional and Technical Services	31,800	78,518	110,318	110,275	43
Other Purchased Services		9,250	9,250		9,250
Supplies and Materials		10,030	10,030	6,994	3,036
<b>Total Undistributed Expenditures - Health Services</b>	<b>165,700</b>	<b>(8,340)</b>	<b>157,360</b>	<b>144,487</b>	<b>12,873</b>

M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Undistributed Expenditures - Guidance:					
Salaries	\$ 253,430	\$ (58,265)	\$ 195,165	\$ 191,538	\$ 3,627
Total Undistributed Expenditures - Guidance	253,430	(58,265)	195,165	191,538	3,627
Undistributed Expenditures - Child Study Team:					
Salaries of Other Professional Staff	162,101	80,489	242,590	241,505	1,085
Purchased Professional - Educational Services		80,832	80,832	78,251	2,581
Total Undistributed Expenditures - Child Study Team	162,101	161,321	323,422	319,756	3,666
General Administration:					
Salaries - Administration	1,057,851	(159,235)	898,616	882,509	16,107
Legal Services	110,000	24,000	134,000	132,408	1,592
Audit Fees		49,000	49,000	21,000	28,000
Purchased Professional/Technical Services	80,333	(15,133)	65,200	29,540	35,660
Communications	30,550	14,669	45,219	39,261	5,958
Other Purchased Services	43,215	21,803	65,018	63,682	1,336
Supplies and Materials	25,372	(11,536)	13,836	9,294	4,542
Miscellaneous Expenses	21,079	1,696	22,775	20,440	2,335
Total General Administration	1,368,400	(74,736)	1,293,664	1,198,134	95,530
School Administration:					
Purchased Professional/Technical Services	19,748	43,689	63,437	53,623	9,814
Other Purchased Services		20,000	20,000	13,158	6,842
Other Objects	7,450	167	7,617	1,410	6,207
Total School Administration	27,198	63,856	91,054	68,191	22,863

M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Central Services:					
Salaries	\$ 180,250	\$ (28,259)	\$ 151,991	\$ 149,010	\$ 2,981
Purchased Professional/Technical Services		31,708	31,708	29,455	2,253
Other Purchased Services	21,870	5,750	27,620	27,577	43
Total Central Services	202,120	9,199	211,319	206,042	5,277
Administrative Information Technology					
Salaries	140,941	(13,486)	127,455	122,162	5,293
Other Purchased Services	58,087	(46,352)	11,735	11,435	300
Other Objects		35,599	35,599	34,926	673
Total Administrative Information Technology	199,028	(24,239)	174,789	168,523	6,266
Required Maintenance for School Facilities:					
Lead Testing of Drinking Water	2,397	(2,397)			
Total Required Maintenance for School Facilities	2,397	(2,397)			
Custodial Services:					
Salaries	265,088	19,812	284,900	277,344	7,556
Rental of Land and Buildings	1,520,000	(208,632)	1,311,368	1,366,174	(54,806)
Other Purchased Property Services	123,934	(4,667)	119,267	118,946	321
Insurance	54,544	29,000	83,544	83,139	405
Supplies and Materials	40,000	(10,500)	29,500	20,509	8,991
Energy (Natural Gas)	72,000	72,792	144,792	140,865	3,927
Other Objects	18,800	10,200	29,000	3,480	25,520
Total Custodial Services	2,094,366	(91,995)	2,002,371	2,010,457	(8,086)



M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Security:					
Salaries	\$ 134,009	\$ 45,749	\$ 45,749	\$ 45,079	\$ 670
Purchased Professional and Technical Services	5,000	141,951	275,960	269,016	6,944
General Supplies			5,000	1,599	3,401
Total Security	139,009	187,700	326,709	315,694	11,015
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	63,460		63,460	9,000	54,460
Other Than Between Home and School - Vendors	200,836		200,836	146,576	54,260
Total Student Transportation Services	264,296		264,296	155,576	108,720
Unallocated Benefits:					
Social Security Contributions	180,000		180,000	155,155	24,845
Other Retirement Contributions - PERS	50,000		50,000	49,004	996
Unemployment Compensation	56,000	(18,091)	37,909	35,790	2,119
Health Benefits	743,756	(8,060)	735,696	622,026	113,670
Tuition Reimbursement	58,500	(50,500)	8,000	2,400	5,600
Workers Compensation	96,698		96,698	94,152	2,546
Other Employee Benefits	6,000	(3,966)	2,034	2,030	4
Total Unallocated Benefits	1,190,954	(80,617)	1,110,337	960,557	149,780

M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures:</b>					
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				\$ 525,917	\$ (525,917)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				11,009	(11,009)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				243,549	(243,549)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				2,263	(2,263)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				244,265	(244,265)
Total On-Behalf Contributions				1,027,003	(1,027,003)
Capital Outlay:					
Equipment:					
Instructional		\$ 2,818	\$ 2,818	2,818	
Facilities Acquisition and Construction Services:					
Construction Services		11,935	11,935	11,935	
Total Capital Outlay		14,753	14,753	14,753	
Total Expenditures	\$ 10,586,033	(433,226)	10,152,807	10,569,604	(416,797)
Excess / (Deficiency) of Revenues Over (Under) / Expenditures	777,942		777,942	(257,532)	(1,035,474)
Fund Balance, July 1	1,531,416		1,531,416	1,531,416	
Fund Balance, June 30	\$ 2,309,358	\$ -0-	\$ 2,309,358	\$ 1,273,884	\$ (1,035,474)
Recapitulation:					
Assigned for Encumbrances				\$ 345,888	
Restricted for Charter School Escrow				75,000	
Unassigned				852,996	
Fund Balance per Governmental Funds GAAP/Budgetary Basis				\$ 1,273,884	

M.E.T.S. CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Local Sources	\$ 611,171	\$ 147,538	\$ 758,709	\$ 87,983	\$ 87,983
Federal Sources				640,132	(118,577)
Total Revenue	611,171	147,538	758,709	728,115	(30,594)
Expenditures:					
Instruction:					
Salaries	305,537	(16,773)	288,764	285,764	3,000
Purchased Professional/Technical Services		57,330	57,330	53,260	4,070
Other Purchased Services		83,200	83,200	83,200	
General Supplies	164,092	(6,855)	157,237	153,305	3,932
Total Instruction	469,629	116,902	586,531	575,529	11,002
Support Services:					
Salaries	9,860	(2,845)	7,015	6,015	1,000
Personal Services - Employee Benefits	75,783	12,303	88,086	88,086	
Purchased Technical Services	40,565	17,265	57,830	56,238	1,592
Other Purchased Services	14,334	3,913	18,247	2,247	16,000
Other Objects	1,000		1,000		1,000
Total Support Services	141,542	30,636	172,178	152,586	19,592
Total Expenditures	611,171	147,538	758,709	728,115	30,594
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

M.E.T.S. CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

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 Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 10,312,072	\$ 728,115
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(48,548)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 10,312,072	\$ 679,567
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,569,604	\$ 728,115
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 reporting purposes.		(48,548)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 10,569,604	\$ 679,567

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

M.E.T.S. CHARTER SCHOOL  
SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Elementary and Secondary Education Act						
	Title I	Title II Part A	Title IV Part D	IDEA Part B Basic	Local Grants	Totals June 30, 2019
REVENUE:						
Local Sources					\$ 87,983	\$ 87,983
Federal Sources	\$ 435,198	\$ 47,857	\$ 20,232	\$ 136,845		\$ 640,132
Total Revenue	435,198	47,857	20,232	136,845	87,983	728,115
EXPENDITURES:						
Instruction:						
Salaries	179,010		5,500	101,254		285,764
Other Purchased Services (400-500 Series)					83,200	83,200
Purchased Professional/Technical Services	53,260					53,260
General Supplies	144,418		4,104		4,783	153,305
Total Instruction	376,688		9,604	101,254	87,983	575,529
Support Services:						
Salaries	6,015					6,015
Personal Services - Employee Benefits	52,495			35,591		88,086
Purchased Technical Services		47,857	8,381			56,238
Other Purchased Services (400-500 Series)			2,247			2,247
Total Support Services	58,510	47,857	10,628	35,591		152,586
Total Expenditures	\$ 435,198	\$ 47,857	\$ 20,232	\$ 136,845	\$ 87,983	\$ 728,115

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)



PROPRIETARY FUNDS  
(NOT APPLICABLE)

FIDUCIARY FUNDS

M.E.T.S. CHARTER SCHOOL  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Payroll Agency</u>	<u>Student Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 93,222	\$ 41,358	\$ 134,580
Total Assets	<u>\$ 93,222</u>	<u>\$ 41,358</u>	<u>\$ 134,580</u>
<u>LIABILITIES:</u>			
Due to Student Groups		\$ 41,358	\$ 41,358
Interfund Payable:			
General Fund	\$ 1,297		1,297
Unemployment Trust Fund	23,749		23,749
Payroll Deductions and Withholdings	<u>68,176</u>		<u>68,176</u>
Total Liabilities	<u>\$ 93,222</u>	<u>\$ 41,358</u>	<u>\$ 134,580</u>

M.E.T.S. CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOT APPLICABLE

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 32,509	\$ 56,956	\$ 48,107	\$ 41,358
Total Assets	<u>\$ 32,509</u>	<u>\$ 56,956</u>	<u>\$ 48,107</u>	<u>\$ 41,358</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 32,509	\$ 56,956	\$ 48,107	\$ 41,358
Total Liabilities	<u>\$ 32,509</u>	<u>\$ 56,956</u>	<u>\$ 48,107</u>	<u>\$ 41,358</u>

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
M.E.T.S. Charter School: Student Account	\$ 32,509	\$ 56,956	\$ 48,107	\$ 41,358
Total	<u>\$ 32,509</u>	<u>\$ 56,956</u>	<u>\$ 48,107</u>	<u>\$ 41,358</u>

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 86,054	\$ 5,826,498	\$ 5,819,330	\$ 93,222
Interfund Receivable:				
General Fund	201		201	
Total Assets	<u>\$ 86,255</u>	<u>\$ 5,826,498</u>	<u>\$ 5,819,531</u>	<u>\$ 93,222</u>
 <u>LIABILITIES:</u>				
Interfund Payable:				
General Fund		\$ 1,297		\$ 1,297
Unemployment Trust Fund	\$ 23,749	43,634	\$ 43,634	23,749
Payroll Deductions and Withholdings	62,506	5,781,567.00	5,775,897	68,176
Total Liabilities	<u>\$ 86,255</u>	<u>\$ 5,826,498</u>	<u>\$ 5,819,531</u>	<u>\$ 93,222</u>

LONG-TERM DEBT  
(NOT APPLICABLE)



**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

**Exhibit**

**Financial Trends**

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

J-1 thru J-5

**Revenue Capacity**

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

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

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

J-14 thru J-15

**Operating Information**

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

J-16 thru J-21

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

M.E.T.S. CHARTER SCHOOL  
NET POSITION BY COMPONENT  
LAST EIGHT FISCAL YEARS

UNAUDITED

*(accrual basis of accounting)*

	June 30,							
	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:								
Net Investment in Capital Assets				\$ 69,877	\$ 69,877	\$ 81,562	\$ 69,877	\$ 72,320
Restricted				25,000	25,000	50,000	75,000	75,000
Unrestricted	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	289,520	192,826	771,742	165,703
Total Governmental Activities Net Position	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	\$ 384,397	\$ 324,388	\$ 916,619	\$ 313,023
Entity-Wide:								
Net Investment in Capital Assets				\$ 69,877	\$ 69,877	\$ 81,562	\$ 69,877	\$ 72,320
Restricted				25,000	25,000	50,000	75,000	75,000
Unrestricted	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	289,520	192,826	771,742	165,703
Total Entity Net Position	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	\$ 384,397	\$ 324,388	\$ 916,619	\$ 313,023

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

Source: Charter School Financial Reports

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

	June 30,							
	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:								
Governmental Activities								
Instruction:								
Regular	\$ 959,878	\$ 1,623,232	\$ 2,524,476	\$ 3,487,818	\$ 4,785,337	\$ 5,258,888	\$ 6,709,171	\$ 6,491,606
Special Education	56,164				151,437	170,110	277,243	357,117
Other Instruction					47,837	122,868	146,909	371,152
Support Services:								
Instruction	442,353	739,503						
Student and Instruction Related Services			1,767,674	1,525,950			410,235	655,218
General Administrative Services	375,495	453,209	1,593,819	1,478,885	1,069,737	1,443,435	1,561,067	1,550,973
School Administrative Services	251,437	525,672			-1,307,534	820,759	425,667	43,141
Central Services	1,896							266,231
Administrative Information Technology								217,867
Plant Operations and Maintenance	762,902	978,562			831,676	1,099,104	1,795,277	2,450,628
Pupil Transportation	1,428	3,671			38,622	56,217	189,066	155,576
Unallocated Benefits	156,567	575,439						
TPAF Social Security	90,960	129,498						
Capital Outlay		64,945	87,797	261,545				
Total Governmental Activities Expenses	<u>3,099,080</u>	<u>5,093,731</u>	<u>5,973,766</u>	<u>6,754,198</u>	<u>8,232,180</u>	<u>8,971,381</u>	<u>11,514,635</u>	<u>12,559,509</u>
Total Entity Expenses	<u>\$ 3,099,080</u>	<u>\$ 5,093,731</u>	<u>\$ 5,973,766</u>	<u>\$ 6,754,198</u>	<u>\$ 8,232,180</u>	<u>\$ 8,971,381</u>	<u>\$ 11,514,635</u>	<u>\$ 12,559,509</u>
Program Revenues								
Governmental Activities:								
Operating Grants and Contributions	\$ 242,173	\$ 295,087	\$ 270,655	\$ 402,170	\$ 1,301,579	\$ 2,308,584	\$ 2,985,146	\$ 2,670,844
Total Governmental Activities Program Revenues	<u>242,173</u>	<u>295,087</u>	<u>270,655</u>	<u>402,170</u>	<u>1,301,579</u>	<u>2,308,584</u>	<u>2,985,146</u>	<u>2,670,844</u>
Total Entity Program Revenues	<u>\$ 242,173</u>	<u>\$ 295,087</u>	<u>\$ 270,655</u>	<u>\$ 402,170</u>	<u>\$ 1,301,579</u>	<u>\$ 2,308,584</u>	<u>\$ 2,985,146</u>	<u>\$ 2,670,844</u>

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

	June 30,							
	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue								
Governmental Activities	\$ (2,856,907)	\$ (4,798,644)	\$ (5,703,111)	\$ (6,352,028)	\$ (6,930,601)	\$ (6,662,797)	\$ (8,529,489)	\$ (9,888,665)
Total Entity-wide Net Expense/Revenues	\$ (2,856,907)	\$ (4,798,644)	\$ (5,703,111)	\$ (6,352,028)	\$ (6,930,601)	\$ (6,662,797)	\$ (8,529,489)	\$ (9,888,665)
General Revenues, Special Item and Other Changes in Net Position								
Governmental Activities:								
Local Property Taxes - Charter School Aid	729,992	1,069,176	1,473,539	82,079	1,578,505	1,569,459	2,055,688	2,049,770
Unrestricted Federal and State Aid	2,841,081	3,252,270	4,321,478	6,558,659	4,820,776	4,944,214	7,058,889	7,166,472
Special Item - Adjustment for Pension Treatment				(227,627)				
Interest					151	386	386	2,888
Miscellaneous Income	241	2,222	321,300	103,972	27,997	4,419	6,757	65,939
Total Governmental Activities	3,571,314	4,323,668	6,116,317	6,517,083	6,427,429	6,518,478	9,121,720	9,285,069
Total Entity-Wide	\$ 3,571,314	\$ 4,323,668	\$ 6,116,317	\$ 6,517,083	\$ 6,427,429	\$ 6,518,478	\$ 9,121,720	\$ 9,285,069
Change in Net Position:								
Governmental Activities	\$ 714,407	\$ (474,976)	\$ 413,206	\$ 165,055	\$ (503,172)	\$ (144,319)	\$ 592,231	\$ (603,596)
Total Entity	\$ 714,407	\$ (474,976)	\$ 413,206	\$ 165,055	\$ (503,172)	\$ (144,319)	\$ 592,231	\$ (603,596)

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

Source: Charter School Financial Reports

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

	Fiscal Year Ending June 30,							
	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:								
Restricted					\$ 25,000	\$ 50,000	\$ 75,000	\$ 75,000
Assigned					21,517		115,957	345,888
Unassigned	\$ 714,407	\$ 239,431	\$ 652,637	\$ 1,045,319	654,447	720,802	1,340,459	852,996
Total General Fund	<u>714,407</u>	<u>239,431</u>	<u>652,637</u>	<u>1,045,319</u>	<u>700,964</u>	<u>770,802</u>	<u>1,531,416</u>	<u>1,273,884</u>
Total All Governmental Funds	<u>\$ 714,407</u>	<u>\$ 239,431</u>	<u>\$ 652,637</u>	<u>\$ 1,045,319</u>	<u>\$ 700,964</u>	<u>\$ 770,802</u>	<u>\$ 1,531,416</u>	<u>\$ 1,273,884</u>

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

Source: Charter School Financial Reports

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

	Fiscal Year Ending June 30,					
	2012	2013	2014	2015	2016	2017
	2018	2019				
<b>Revenues:</b>						
Tax Levy (Charter School Aid)	\$ 729,992	\$ 1,069,176	\$ 1,473,539	\$ 89,579	\$ 1,578,505	\$ 1,569,459
Miscellaneous	241	2,222	321,300	103,972	28,148	4,805
State Sources	2,932,041	3,252,270	4,321,478	6,558,659	5,047,452	5,703,273
Federal Sources	151,213	295,087	270,655	394,670	717,895	700,384
<b>Total Revenue</b>	<b>3,813,487</b>	<b>4,618,755</b>	<b>6,386,972</b>	<b>7,146,880</b>	<b>7,372,000</b>	<b>7,977,921</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Regular Instruction	953,821	1,623,232	2,524,476	3,487,818	3,354,247	3,238,781
Special Education Instruction	56,164				127,526	135,860
<b>Support Services:</b>						
Student & Instruction Related Services					40,186	97,473
General Administration Services	442,353	1,192,712	1,593,819	1,478,885	956,656	1,219,713
School Administrative services	375,495				1,016,468	519,089
Central Services						294,384
Administrative Information Technology						206,042
Other Support Services	1,271,247	2,212,842	1,767,674	1,525,950		168,523
Student Transportation Services					38,622	56,217
Plant Operations and Maintenance					831,676	1,039,355
Unallocated Benefits					1,350,974	1,599,537
Capital Outlay		64,945	87,797	261,545		2,058
<b>Total Expenditures</b>	<b>3,099,080</b>	<b>5,093,731</b>	<b>5,973,766</b>	<b>6,754,198</b>	<b>7,716,355</b>	<b>7,908,083</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>714,407</b>	<b>(474,976)</b>	<b>413,206</b>	<b>392,682</b>	<b>(344,355)</b>	<b>69,838</b>
<b>Net Change In Fund Balances</b>	<b>\$ 714,407</b>	<b>\$ (474,976)</b>	<b>\$ 413,206</b>	<b>\$ 392,682</b>	<b>\$ (344,355)</b>	<b>\$ 69,838</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

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

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

Fiscal Year Ended June 30,	Local Levy - Charter School Aid	Other	Total
2012	\$ 729,992	\$ 241	\$ 730,233
2013	1,069,176	2,222	1,071,398
2014	1,473,539	20,178	1,493,717
2015	82,079	103,972	186,051
2016	2,049,770	28,148	2,077,918
2017	1,569,459	4,805	1,574,264
2018	2,055,688	7,143	2,062,831
2019	2,049,770	68,827	2,118,597

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

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

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

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019
Instruction:								
Regular	14.5	27.0	33.0	42.5	47.5	37.0	46.0	51.0
Special Education	1.0	3.5	4.0	3.0	3.0	2.0	2.0	5.0
Other Instruction	2.0	2.0	3.0	3.0	11.0	4.0	4.0	1.0
Support Services:								
Student & Instruction Related Services		2.0	2.5	3.5	3.5	3.0	4.0	2.0
School Administrative Services	2.0	1.5	3.0	2.0	4.0	5.0	12.0	9.0
General and Business Administrative Services	2.0	2.0	3.5	2.0	2.0	3.0	3.0	8.0
Administrative Information Technology	1.0	1.0	2.0	1.0	1.0	2.0	3.0	2.0
Plant Operations and Maintenance	5.0	6.5	7.0	9.0	0.5	7.0	7.0	9.0
Other Support Services	1.0	3.0	2.0	4.5	6.0	9.0	5.0	7.0
<b>Total</b>	<b>28.5</b>	<b>48.5</b>	<b>60.0</b>	<b>70.5</b>	<b>78.5</b>	<b>72.0</b>	<b>86.0</b>	<b>94.0</b>

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

Source: Charter School Personnel Records



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

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>b</sup>	Percent Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change Average Daily Enrollment	Student Attendance Percentage
2012	320.0	\$ 3,008,120	\$ 9,400	N/A	22.5	13.94	313.6	308.2	N/A	98.28%
2013	395.7	5,028,786	12,709	35.19%	32.5	12.18	395.7	380.6	26.18%	96.18%
2014	479.6	5,885,969	12,273	-3.43%	40.0	11.99	479.6	455.6	21.20%	95.00%
2015	523.2	6,492,653	12,410	1.12%	52.5	9.97	523.2	498.0	9.09%	95.18%
2016	479.2	7,716,355	16,103	29.76%	53.5	8.96	479.2	457.6	-8.41%	95.49%
2017	512.0	7,906,025	15,441	-4.11%	43.0	11.73	504.5	478.2	5.28%	94.79%
2018	664.0	10,049,692	15,135	-1.98%	52.0	13.64	709.3	660.3	40.59%	93.09%
2019	677.1	10,554,851	15,588	2.99%	57.0	12.41	707.2	651.7	-0.30%	92.15%

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

- <sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.
- <sup>b</sup> Cost per pupil is calculated based upon enrollment and operating expenditures presented and may not be the same as other cost per pupil calculations.
- <sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.
- <sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

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

Source: Charter School Business Office

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

	2012	2013	2014	2015	2016	2017	2018	2019
<u>Building</u>								
Jersey City School Building								
Square Feet	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Capacity (students)	600	600	600	600	600	600	600	600
Enrollment	320	396	480	523	476	512	478	479
Newark School Building								
Square Feet							24,343	36,400
Capacity (students)							250	250
Enrollment							197	198

Number of Schools at June 30, 2019  
 Charter School (6-12) = 2

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

Source: Charter School Business Office

M.E.T.S. CHARTER SCHOOL  
INSURANCE SCHEDULE  
JUNE 30, 2019  
UNAUDITED

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

Source: Charter School Business Office

M.E.T.S. CHARTER SCHOOL  
FINANCIAL PERFORMANCE

JUNE 30, 2019

UNAUDITED

	2012	2013	2014	2015	2016	2017	2018	2019
Cash	\$ 603,225	\$ 258,105	\$ 697,350	\$ 865,983	\$ 636,858	\$ 710,683	\$ 1,420,948	\$ 777,201
Current Assets	111,182	102,820	526,510	731,586	309,841	372,923	772,736	926,755
Total Assets	714,407	360,925	1,223,860	1,597,569	946,699	1,083,606	2,193,684	1,703,956
Deferred Outflows of Resources				329,420	355,646	861,159	590,803	865,404
Current Liabilities		121,494	571,223	552,250	282,138	259,819	711,272	427,567
Long-Term Liabilities				525,717	596,199	1,280,433	738,847	1,305,994
Total Liabilities		121,494	571,223	1,077,967	878,337	1,540,252	1,450,119	1,733,561
Deferred Inflows of Resources				31,330	109,488	80,125	409,278	522,776
Net Position	\$ 714,407	\$ 239,431	\$ 652,637	\$ 817,692	\$ 314,520	\$ 324,388	\$ 925,090	\$ 313,023
Total Revenue	\$ 3,813,487	\$ 4,618,755	\$ 6,386,972	\$ 7,723,295	\$ 7,729,008	\$ 8,834,939	\$ 11,569,987	\$ 11,955,913
Total Expenses	3,099,080	5,093,731	5,973,706	7,558,240	8,232,180	8,979,258	10,899,408	12,350,270
Change in Net Position	\$ 714,407	\$ (474,976)	\$ 413,266	\$ 165,055	\$ (503,172)	\$ (144,319)	\$ 670,579	\$ (394,357)
Depreciation Expense	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Expense	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Principal Payments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Payments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Final Average Daily Enrollment	314	381	480	523	479	505	709	707
March 30th Budgeted Enrollment	N/A	N/A	N/A	N/A	479	505	709	800
	2012	2013	2014	2015	2016	2017	2018	2019
Near Term Indicators:								
Current Ratio	N/A	N/A	N/A	N/A	0.52	0.29	1.09	2.17
Unrestricted Days Cash	308.20	261.02	207.98	197.85	245.54	239.39	236.43	166.48
Enrollment Variance	N/A	N/A	N/A	N/A	100%	100%	1.00	0.884
Default	No	No	No	No	No	No	No	No
Sustainability Indicators:								
Total Margin	19%	-10%	6%	2%	-7%	-2%	6%	-3%
Debt to Asset	0.00	0.34	0.47	0.67	0.93	1.42	0.66	1.02
Cash Flow	N/A	(345,120)	439,245	168,633	(229,125)	73,825	710,265	(643,747)
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - Not Applicable

Source: Charter School Business Office

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the M.E.T.S. Charter School of Jersey City (the "Charter School"), in the County of as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2009-001 that we consider to be a material weakness.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2009-001.**

### **The Charter School's Response to the Finding**

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

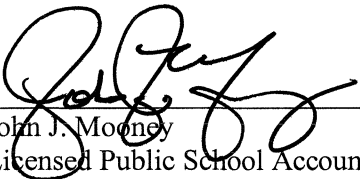
### **Purpose of this Report**

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

November 15, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP

*NISIVOCCIA LLP*




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



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

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

We have audited the M.E.T.S. Charter School of Jersey City (the "Charter School's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2019. The Charter School's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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



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

***Basis for Qualified Opinion on the State Aid - Public State Programs***

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding eligibility for its State Aid – Public state programs as described in Finding 2019-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

***Qualified Opinion on the State Aid - Public State Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State Aid – Public programs for the fiscal year ended June 30, 2019.

The Charter School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

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

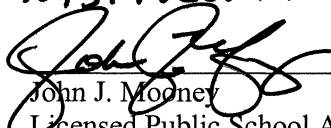
The Honorable President and Members  
of the Board of Trustees  
M.E.T.S. Charter School  
Page 3

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 that we consider to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures, applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

November 15, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP  
*NISIVOCCIA LLP*  
  
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M.E.T.S. CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	July 1, 2018		June 30, 2019	
					Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Amount Provided to Subrecipients
<u>Special Revenue Fund:</u>								
US Department of Education Passed-through State of New Jersey Department of Education:								
Special Education Cluster:								
IDEA- Part B, Basic	84.027	IDEA 6068-18	7/1/17-6/30/18	\$ 92,878	\$ 49,340			
IDEA- Part B, Basic	84.027	IDEA 6068-19	7/1/18-6/30/19	136,845	74,717	\$ (136,845)	\$ (62,128)	
Total Special Education Cluster					124,057	(136,845)	(62,128)	
Elementary and Secondary Education Act:								
Title I - Part A	84.010	ESEA 6068-18	7/1/17-6/30/18	420,135	246,626			
Title I - Part A	84.010	ESEA 6068-19	7/1/18-6/30/19	420,135		(413,930)	(413,930)	
Title I - Reallocated	84.010	ESEA 6068-19	2/1/19-9/30/19	21,760	21,268	(21,268)		
Title II	84.278	ESEA 6068-18	7/1/17-6/30/18	36,941	19,585			
Title II	84.278	ESEA 6068-19	7/1/18-6/30/19	64,830		(47,857)	(47,857)	
Title IV	84.424	ESEA 6068-19	7/1/18-6/30/19	31,815		(20,232)	(20,232)	
Passed-through Rutgers, The State University Teacher Incentive Fund	84.374	N/A	9/1/15-8/31/17	372,640		(12,556)	(12,556)	
Total U.S. Department of Education					411,536	(640,132)	(556,703)	
Total Federal Awards					\$ 411,536	\$ (640,132)	\$ (556,703)	\$ - 0 -

N/A - Not Applicable

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

M.E.T.S. CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	July 1, 2018		June 30, 2019		MEMO
				Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures	Budgetary/ GAAP Receivable	
State Department of Education:								
General Fund:								
Local Levy - State Share	18-495-034-5120-078	7/01/17-6/30/18	\$ 6,512,924	\$ (174,329)	\$ 174,329	\$ (198,437)	\$ 6,512,924	
Special Education Aid	18-495-034-5120-089	7/01/17-6/30/18	298,925	(40,373)	40,373	(8,083)	298,925	
Security Aid	18-495-034-5120-084	7/01/17-6/30/18	247,040	(25,006)	25,006	(10,086)	247,040	
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/01/17-6/30/18	214,283	(121,219)	121,219	(13,810)	214,283	
Local Levy - State Share	19-495-034-5120-078	7/01/18-6/30/19	6,565,347		6,366,910	\$ (198,437)	6,565,347	
Security Aid	19-495-034-5120-084	7/01/18-6/30/19	267,422		259,339	(267,422)	267,422	
Special Education Aid	19-495-034-5120-089	7/01/18-6/30/19	333,703		323,617	(333,703)	333,703	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/01/18-6/30/19	244,265		230,455	(244,265)	244,265	
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/01/18-6/30/19	525,917		525,917	(525,917)	525,917	
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/01/18-6/30/19	11,009		11,009	(11,009)	11,009	
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/01/18-6/30/19	243,549		243,549	(243,549)	243,549	
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/01/18-6/30/19	2,263		2,263	(2,263)	2,263	
Total General Fund				(360,927)	8,323,986	(8,193,475)	15,466,647	
Total State Awards Subject to Single Audit Determination				\$ (360,927)	\$ 8,323,986	\$ (230,416)	\$ 15,466,647	
Less: State Awards Not Subject to Single Audit Major Program Determination								
On-Behalf TPAF Pension System Contributions:								
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/01/18-6/30/19	243,549			243,549		
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/01/18-6/30/19	525,917			525,917		
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/01/18-6/30/19	11,009			11,009		
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/01/18-6/30/19	2,263			2,263		
Subtotal - On-Behalf TPAF Pension System Contributions						782,738		
Total State Awards Subject to Single Audit Major Program Determination							\$ (7,410,737)	

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

M.E.T.S. CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of M.E.T.S. Charter School (the "Charter School") under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from budgetary basis to the GAAP basis is \$-0- for the general fund and (\$48,548) for the special revenue fund, which is for local grants. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 8,193,475	\$ 8,193,475
Special Revenue Fund	\$ 640,132		640,132
	<u>\$ 640,132</u>	<u>\$ 8,193,475</u>	<u>\$ 8,833,607</u>

M.E.T.S. CHARTER SCHOOL  
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

M.E.T.S. CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the District.
- There was a material weakness disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* as Finding 2019-001.
- An instance of noncompliance material to the financial statements of the Charter School is disclosed in accordance with *Government Auditing Standards*, as Finding 2019-001.
- There was a material weakness in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance* as Finding 2019-001.
- The auditor's report on compliance for the major state programs for the District expresses a qualified opinion on the District's compliance for the State Aid - Public major state programs.
- Audit finding 2019-001 which is required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance is reported on this schedule.
- The Charter School was not subject to the single audit provisions of the Uniform Guidance for the fiscal year end June 30, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Circular.
- The Charter School's programs tested as major state programs for the current fiscal year consisted of the following state aid:

<u>Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Aid Public:				
Local Levy - State Share	19-495-034-5120-078	7/01/18-6/30/19	\$ 6,565,347	\$ 6,565,347
Security Aid	19-495-034-5120-084	7/01/18-6/30/19	267,422	267,422
Special Education Aid	19-495-034-5120-089	7/01/18-6/30/19	333,703	333,703

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

M.E.T.S. CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Findings and Questioned Costs for Federal Awards:

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

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards/Findings and Questioned Costs for State Awards:

**Finding 2019-001:** Material Weakness in Internal Control Over Financing Reporting/Material Non-Compliance – Financial Statements/N.J. Department of Education – State Aid - Public – Material Non-Compliance - Eligibility and Material Weakness in Internal Control over Compliance

<u>Program Title</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>	<u>Questioned Costs</u>
Local Levy - State Share	19-495-034-5120-078	7/1/18-6/30/19	\$ 6,565,347	\$ 6,565,347	N/A

N/A - Not Available

Criteria:

Per N.J.A.C. 6A:23-15.1A et. seq., school districts and charter schools are required to conduct enrollment counts to the New Jersey Department of Education twice a year at October 15 and on the last day of school. School registers and other source documents supporting the enrollments counts for on-roll, low income and bilingual students are required to be maintained on file.

Condition and Context:

School registers and other source documents supporting the enrollments counts reported to the New Jersey Department of Education on October 15 and the last day of school for enrolled students showed 106 students as unverified.

Effect:

State aid was not received for 106 students.

Cause:

The Charter School did not receive supporting documentation to verify each student’s addresses which is required to be provided to the sending District in order to receive aid for enrolled students.

Recommendation:

It is recommended that the Charter School verify all enrolled students before the start of the school year to avoid substantial loss of funding.



M.E.T.S. CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Findings and Questioned Costs for State Awards: (Cont'd)

**Finding 2019-001:** Material Weakness in Internal Control Over Financing Reporting/Material Non-Compliance – Financial Statements/N.J. Department of Education – State Aid - Public – Material Non-Compliance - Eligibility and Material Weakness in Internal Control over Compliance (Cont'd)

Management's Response:

The District will make every effort to ensure that all enrolled students are verified before the start of the school year.

M.E.T.S. CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

There were no prior year audit findings.