



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS, INC.
Table of Contents

INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal	2
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
FINANCIAL SECTION	
Independent Auditor's Report	10
Required Supplementary Information – Part I Management’s Discussion and Analysis	16
Basic Financial Statements	
A. Government-Wide Financial Statements:	
A-1 Statement of Net Position	26
A-2 Statement of Activities	27
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	29
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	30
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Proprietary Funds:	
B-4 Statement of Net Position	N/A
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
B-6 Statement of Cash Flows	N/A
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	32
B-8 Statement of Changes in Fiduciary Net Position	N/A
Notes to the Financial Statements	33
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule – General Fund	63
C-1a Combining Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	N/A
C-1b Community Development Block Grant – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	66
C-3 Budgetary Comparison Schedule – Note to RSI	68

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS, INC.
Table of Contents (Cont'd)

	Page
Required Supplementary Information – Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the Charter School's Proportionate Share of the Net Pension Liability – PERS	71
L-2 Schedule of Charter School's Contributions – PERS	72
L-3 Schedule of the Charter School's Proportionate Share of the Net Pension Liability – TPAF	73
L-4 Schedule of Charter School Contributions – TPAF	74
L-5 Notes to the Required Supplementary Information – Part III GASB 68 Pension Changes	75
Required Supplementary Information – Part IV	
L-6 Schedule of Funding Progress for Health Benefits Plan	N/A
L-7 Notes to the Required Supplementary Information – Part IV	N/A
Other Supplementary Information	
D. School Based Budget Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis	78
E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Basis	N/A
F-2a Schedule(s) of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	N/A
F-2b Statement of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	N/A

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS, INC.
Table of Contents (Cont'd)

	Page
Other Supplementary Information (Cont'd)	
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Statement of Net Position	N/A
G-2 Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
G-3 Statement of Cash Flows	N/A
Internal Service Fund:	
G-4 Combining Statement of Net Position	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Statement of Fiduciary Net Position	80
H-2 Statement of Changes in Fiduciary Net Position	N/A
H-3 PTA Account Schedule of Receipts and Disbursements	81
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	82
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations under Capital Leases	84
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1 Net Position by Component	87
J-2 Changes in Net Position	88
J-3 Fund Balances—Governmental Funds	89
J-4 Changes in Fund Balances—Governmental Funds	90
J-5 General Fund Other Local Revenue by Source	91

Revenue Capacity

J-6 Assessed Value and Estimated Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers	N/A
J-9 Property Tax Levies and Collections	N/A

Debt Capacity

J-10 Ratios of Outstanding Debt by Type	93
J-11 Ratios of General Bonded Debt Outstanding	N/A
J-12 Direct and Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS, INC.
Table of Contents (Cont'd)

	Page
Statistical Section (Cont'd)	
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	95
J-15 Principal Employers	96
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	98
J-17 Operating Statistics	99
J-18 School Building Information	100
J-19 Schedule of Required Maintenance Expenditures by School Facility	N/A
J-20 Insurance Schedule	101
Charter School Performance Framework – Financial Indicators	
J-21 Financial Indicators – Fiscal Ratios	103
 SINGLE AUDIT SECTION 	
K-1 Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	13
K-2 Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required By OMB Circular A-133 and State of New Jersey Circular 15-08-OMB	105
K-3 Schedule of Expenditures of Federal Awards, Schedule A	107
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	109
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	111
K-6 Schedule of Findings and Questioned Costs	113
K-7 Summary Schedule of Prior Audit Findings and Recommendations as Prepared by Management	118

INTRODUCTORY SECTION



Brian McGuire, Ph.D., Principal/Lead Person
Arthur R. Tubbs, M.Ed., Principal
Adrienne Breitinger, Vice Principal
Jill Carson, Business Administrator
Lew London, Artistic Coordinator/Executive Director

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The Honorable President and
Members of the Board of Trustees
Chartertech High School for the Performing Arts
Somers Point, New Jersey 08244

Dear Board Members:

The comprehensive annual financial report of the Chartertech High School for the Performing Arts (District) for the fiscal year ended June 30, 2015 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 (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 financial position and results of operations of the various funds and account groups of the School. All disclosures necessary to enable the reader to gain an understanding of the 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 School's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The School is required to undergo an annual single audit in conformity with the provisions of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** Chartertech High School for the Performing Arts is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the School are included in this report. Chartertech High School for the Performing Arts Board of Trustees and all its schools constitute the School's reporting entity.

The School provides a full range of educational services appropriate to grade levels Nine through Twelve. These services include regular, special education for students with disabilities, as well as basic skills improvement for lower functioning students. The School completed the 2014-2015 fiscal year with an enrollment of 327.2 students. The following details the changes in the student enrollment of the District over the last five years.

Student Fiscal Year	Enrollment as of June 30 th	Percent Change
14-15	327.2	N/A
13-14	327.7	8.0%
12-13	303.5	-2.0%
11-12	309.7	13.0%
10-11	273.9	-

- 2) **ECONOMIC CONDITION AND OUTLOOK:** Although Chartertech High School for the Performing Arts community is essentially fully developed, enrollments will change based on our Charter.

The School is situated on 413 New Road in Somers Point directly adjacent to Route 9.

- 3) **INTERNAL ACCOUNTING CONTROLS:** Management of the School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the costs 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 recipient of Federal and State financial aid, the School also is responsible for ensuring that an adequate internal control structure is place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School management.

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

- 4) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length

budgets are approved for the capital improvements accounted for in the capital projects 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 reservations of fund balance at June 30, 2015.

- 5) **ACCOUNTING SYSTEM AND REPORTS:** The School's accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. The funds and account groups are explained in "Notes to Financial Statements", Note 1.
- 6) **CASH MANAGEMENT:** The investment policy of the School is guided in large part by State statute as detailed in "Notes to Financial Statements", Note 2. 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 failed banking institutions in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 7) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers liability, child molestation, accident insurance, workers compensation, hazard and theft on property and contents, benefits and surety bonds.
- 8) **OTHER INFORMATION:**
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. The auditor's report on the basis financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of the report.

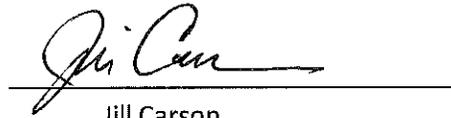
9) ACKNOWLEDGEMENTS:

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

Respectfully submitted,

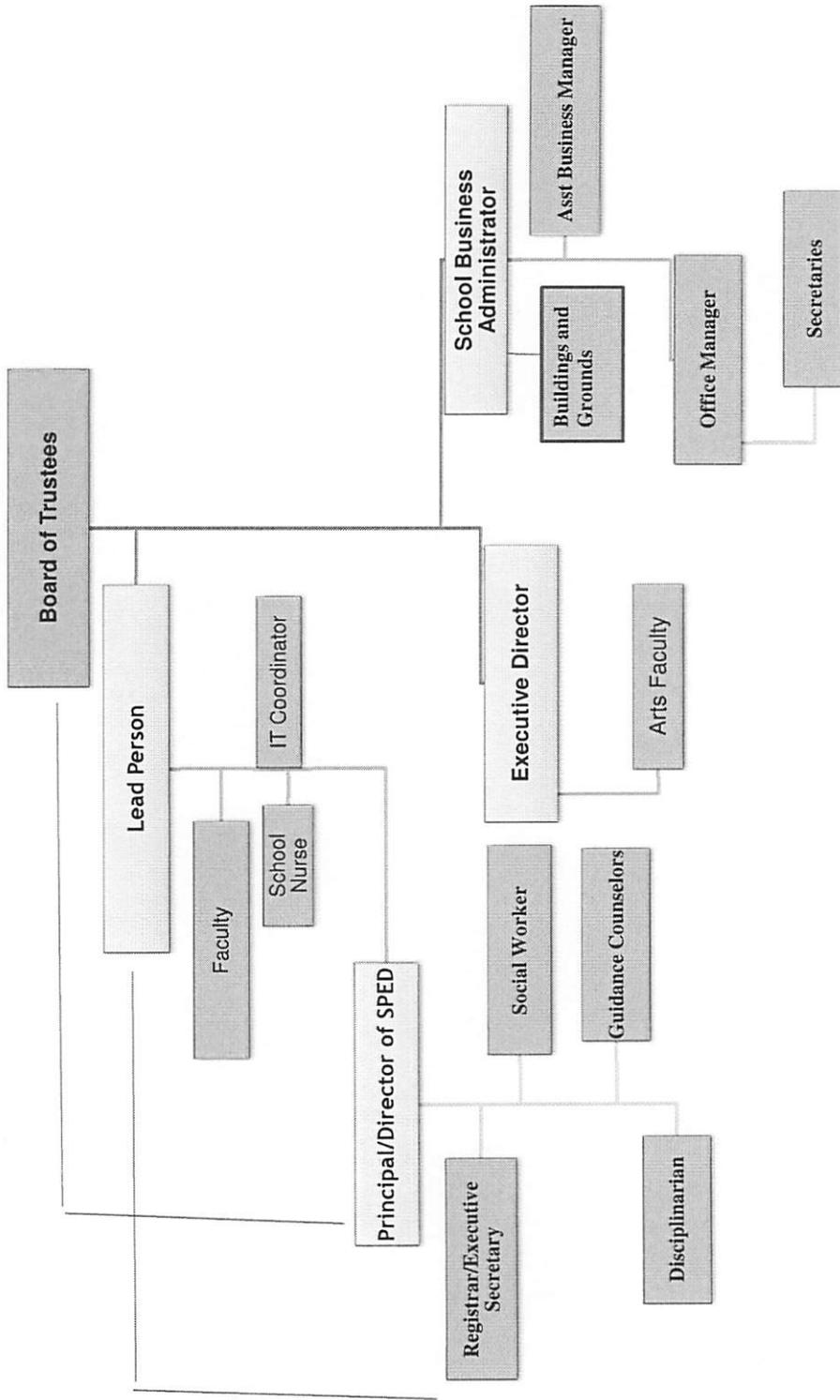


Dr. Brian McGuire
Lead Person/Principal



Jill Carson
School Business Administrator

chARTer~Tech High School for the Performing Arts



**chARTer~TECH High School for the Performing Arts, Inc.
Somers Point, New Jersey**

**Roster of Officials
June 30, 2015**

Members of the Board of Trustees

Robert LeMaire, President

Michael Barnow, Vice President

Jeffrey Caraway

Victoria Clark

Pamela York

Carolyn Patterson

Jean Immler, Teacher Representative (ex-officio)

Other Officials

Dr. Brian McGuire, Lead Person/Principal

Arthur Tubbs, Principal

Jill Carson, SBA/BS

Phyllis London, Assistant Board Secretary

Vicki Tomasco, Treasurer

**chARTer~TECH High School for the Performing Arts, Inc.
Consultants and Advisors**

Audit Firm

Bowman & Company LLP
601 White Horse Road
Voorhees, New Jersey 08043-2493

Attorney

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1001 Asbury Avenue
Ocean City, NJ 08226-0447

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
chARTer~TECH High School for the Performing Arts, Inc.
Somers Point, New Jersey 08244

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the blended component unit, and the aggregate remaining fund information of the chARTer~TECH High School for the Performing Arts, Inc., in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2015, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of the chARTer~TECH High School for the Performing Arts, Inc., in the County of Atlantic, State of New Jersey, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2015, the Charter School adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 71, net position as of June 30, 2014 on the statement of activities has been restated, as discussed in note 18 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Charter School's proportionate share of the net pension liability, schedule of Charter School's contributions, as listed in the table of contents, 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 chARTer~TECH High School for the Performing Arts, Inc.'s basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section, and schedule of state assistance are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the chARTer~TECH High School for the Performing Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the chARTer~TECH High School for the Performing Arts, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Scott P. Barron
Certified Public Accountant
Public School Accountant No. CS 02459

Voorhees, New Jersey
December 16, 2015

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
chARTer~TECH High School for the Performing Arts, Inc.
Somers Point, New Jersey 08244

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of the chARTer~TECH High School for the Performing Arts, Inc., in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated December 16, 2015. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the chARTer~TECH High School for the Performing Arts, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the chARTer~TECH High School for the Performing Arts, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the chARTer~TECH High School for the Performing Arts, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and which is described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as finding no.: 2015-001.

chARTer~TECH High School for the Performing Arts, Inc.'s Response to Findings

The chARTer~TECH High School for the Performing Arts, Inc.'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 subjected 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 results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Scott P. Barron
Certified Public Accountant
Public School Accountant No. CS 02459

Voorhees, New Jersey
December 16, 2015

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited

The Chartertech High School for the Performing Arts Management Discussion and Analysis (MD&A) is designed to provide an overview of the Charter School's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The focus of the MD&A is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the Charter School's Financial Statements.

Financial Highlights

Key financial highlights for Fiscal Year 2014-2015 include the following:

- During the fiscal year ended June 30, 2015, the School District was required to implement Governmental Accounting Standard Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*, see below discussion. In addition, the notes to the financial statements provide a more thorough discussion of the implementation of GASB 68 and the effects to the financial statements.
- The assets of the Charter School exceeded its liabilities at the close of the most recent fiscal year by \$ 985,597.03 (net position restated for GASB 68).
- The Charter School's total net position increased by \$ 76,593.91. This increase resulted from normal operations and the blending of their component unit's activity, Charterland LLC.
- As of the close of the current fiscal year, the Charter School's governmental funds reported combined ending fund balances of \$1,295,940.50, an increase of \$147,522.94 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,123,224, an increase of \$55,849.77 from that of the prior fiscal year.

Overview of the Financial Statements

The financial section of the annual report consists of four parts:

1. Independent Auditor's Report
2. Required Supplementary Information, including the MD&A (this section)
3. Basic Financial Statements (Statement of Net Position and the Statement of Activities)
4. Supplementary Information

The district-wide financial statements are designed to be corporate-like in that all government, business-type activities and the activities of its blended component unit are consolidated into columns, which add to a total for the Charter School. Currently, the Charter School has no business-type activities. The focus of the Statement of Net Position is designed to be similar to a bottom line for the Charter School and its government blended component unit activities. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The statement of activities is focused on both the gross and net costs of various activities (including governmental and component unit type), which are provided by the Charter School's general and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to the activities of the component unit.

Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited

The basic financial statements include two kinds of statements that present different views for the Charter School. The first two statements are district-wide financial statements that provide both long-term and short-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's operations in more detail than the district-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the Charter School acts as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statements are followed by required supplementary information that further explains and supports the information in the financial statements including; budget schedules, reconciliations and individual fund statements.

Reporting the Charter School's Most Significant Funds

Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities include all assets and liabilities of the Charter School using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes in to account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and Statement of Activities, the Charter School reports governmental activities and the activities of its blended component unit. Governmental activities are the activities where most of the Charter School's programs and services are reported including, but not limited to, Instruction, Administration and Support Services.

Fund Financial Statements

The Fund financial reports provide detailed information about the Charter School's major funds. The Charter School uses several funds to account for a variety of financial transactions. However, these fund financial statements focus on the Charter School's most significant funds. The Charter School's major governmental funds are the General Fund and the Special Revenue Fund.

Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited

Government Funds

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

The Charter School as a Whole

The Statement of Net Position provides the perspective of the charter school as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The school's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 on the following page provides a summary of the Charter School's net position for the years ended June 30, 2015 and 2014:

**Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited**

Table 1
chARTer~TECH High School for the Performing Arts, Inc.
Statement of Net Position

	<u>Governmental Activities</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
ASSETS:		
Cash and Cash Equivalents	\$ 1,256,350.33	\$ 1,389,890.51
Receivables, Net	263,721.07	101,186.01
Interfund Receivable		6,142.81
Restricted Assets:		
Restricted Cash	100,889.51	14,511.08
Capital Assets, net (Note 5)	<u>3,623,827.14</u>	<u>3,801,211.06</u>
Total Assets	<u>5,244,788.05</u>	<u>5,312,941.47</u>
Deferred Outflow of Resources		
Related to Pensions (Note 9)	<u>45,059.00</u>	
LIABILITIES:		
Accounts Payable	64,882.83	236,699.32
Payable to Local Governments	272,119.74	37,967.41
Unearned Revenue		11,603.05
Noncurrent Liabilities:		
Due within One Year	156,433.97	151,991.14
Due beyond One Year	<u>3,597,242.48</u>	<u>2,933,145.43</u>
Total Liabilities	<u>4,090,679.02</u>	<u>3,371,406.35</u>
Deferred Inflow of Resources		
Related to Pensions (Note 9)	<u>213,571.00</u>	
NET POSITION:		
Net Investment in Capital Assets	1,037,130.41	1,031,816.70
Restricted for:		
Charter School Reserve	75,000.00	
Unrestricted	<u>(126,533.38)</u>	<u>909,718.42</u>
	985,597.03	1,941,535.12
Restatement to Record the School District's		
Net Pension Liability and Pension Related		
Deferred Outflows of Resources per GASB 68		<u>(1,032,532.00)</u>
Total Net Position	<u>\$ 985,597.03</u>	<u>\$ 909,003.12</u>

In total, liabilities of governmental activities increased \$714,846.67, primarily due to the Charter School restatement under GASB 68.

Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited

Table 2 provides an illustration of the impact of the School District's Net Position for the implementation of GASB 68.

TABLE 2
Statement of Net Position - Effect of Pension Related Items

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Deferred Outflows Related to Pensions	\$ 45,059.00	
Less: Net Pension Liability	(820,531.00)	(1,032,532.00)
Less: Deferred Inflows Related to Pensions	<u>(213,571.00)</u>	
	<u>\$ (989,043.00)</u>	<u>\$ (1,032,532.00)</u>

Table 3 shows the changes in net position for fiscal year 2015:

Table 3
chARTer~TECH High School for the Performing Arts, Inc.
Change in Net Position

	Governmental Activites	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ 871,488.12	\$ 143,817.42
General Revenues:		
Local Levy	4,960,697.00	4,848,239.00
State Aid - Not Restricted	716,963.64	608,436.27
Other	<u>27,649.72</u>	<u>460.68</u>
Total Revenues	<u>6,576,798.48</u>	<u>5,600,953.37</u>
Expenses:		
Instruction	2,445,749.11	1,895,798.14
Administration	2,057,827.71	2,022,262.48
Support Services	1,947,633.25	1,289,768.79
Unallocated	<u>48,994.50</u>	
Total Expenses	<u>6,500,204.57</u>	<u>5,207,829.41</u>
Change in Net Position	76,593.91	393,123.96
Net Position, July 1	<u>909,003.12</u>	<u>1,548,411.16</u>
Ending Net Position, Prior to Restatement	985,597.03	1,941,535.12
Restatement to Record the School District's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68		<u>(1,032,532.00)</u>
Ending Net Position	<u>\$ 985,597.03</u>	<u>\$ 909,003.12</u>

**Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited**

Governmental Activities

The local levy and federal and state aid made up 100% of revenues for governmental activities for the Charter School in fiscal year 2015.

The Statement of Activities shows the cost of the governmental activities' program services and the charges for services and grants offsetting those services. Table 3 below shows the total cost of services and the net cost of services for fiscal year 2015. The table shows the cost of these services supported by program revenues.

The Statement of Activities shows the cost of the governmental activities' program services and the changes for services and grants offsetting those services. It also shows the activities of the blended component unit, Charterland LLC. Table 3 below shows the total cost of services and the net cost of services for the governmental activities for fiscal year 2015. The table shows the cost of these services supported by general revenues.

Table 4

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Instruction	\$ 2,445,749.11	\$ 2,445,749.11	\$ 2,146,208.00	\$ 1,769,241.72
Administration	2,057,827.71	2,057,827.71	2,057,827.71	2,022,262.48
Support Services	1,947,633.25	1,947,633.23	1,375,686.24	1,272,507.79
Unallocated	48,994.50		48,994.50	
	<u>\$ 6,500,204.57</u>	<u>\$ 6,451,210.05</u>	<u>\$ 5,628,716.45</u>	<u>\$ 5,064,011.99</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Administrative expenses include expenses associated with establishing and administering policy for the Charter School.

Support Services are expenditures for the maintenance of the plant.

The dependence upon the revenues received from sending districts and federal and state aid is apparent. The revenues from sending districts and federal and state governments are the primary financial support for the Charter School.

The Charter School's Funds

The Charter School's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$6,091,688.48 and expenditures of \$5,944,165.54. The fund balance in the General Fund was \$1,295,940.50, a net increase of \$147,522.94 over the prior fiscal year.

**Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited**

General Funds Budgetary Highlights

The Charter School's budget is prepared in accordance with New Jersey Law. The most significant budgeted fund is the General Fund. During the course of the 2015 fiscal year, the Charter School modified its General Fund budget as permitted by law. The Charter School's revenue calculations are based on enrollment counts performed during the year and are dependent on the sending district where the student resides.

General Funds Budgetary Highlights (Cont'd)

For the General Fund, the final budget basis revenue was \$5,236,056.00. The original budgeted estimate was \$5,236,056.00.

During fiscal year 2015, the Charter School anticipated General Fund Revenue from the following sources:

Source	<u>Final Budget</u>
Local Levy	\$ 4,960,697.00
Categorical Aid:	
Special Education Aid	194,193.00
Security Aid	81,166.00
	<u>\$ 5,236,056.00</u>

Instructional expense was 36.6% of budgeted expenditures with Administration at 24.7%, Support Services at 27.7% and Capital Outlay 3.1%. For non-budgeted TPAF Social Security and Pension was a combined 7.9%. Total expenditures were \$5,557,787.42

Capital Assets

The Charter School's investment in capital assets is \$3,623,827.14 which is net of accumulated depreciation of \$2,491,653.11, and consists primarily of leasehold improvements, instructional equipment, computer equipment, office equipment and general equipment. Charterland, LLC a blended component unit of the Charter School owns the building.

Outstanding Debt

Charterland, LLC has outstanding debt in the amount of \$2,792,784.00 for the school facility and a property lease. The Charter School leases the facility from Charterland, LLC under an operating lease agreement.

Chartertech High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited

Economic Factors and Next Year's Budgets and Rates

The Charter School maintained its budget through the revenue received from sending districts for their local levy, state levy and categorical aid specific for their students and from federal and state aid and miscellaneous revenue sources. Approximately, 81.9% of total revenue is from the local and state levy, 11.8% is from categorical and other state aid, 6.3% from federal grants. As a charter school, revenues are driven by the residency of its student population and the level of enrollment of students in those sending districts.

Contacting the Charter School's Financial Management

This financial report is designed to provide our parents, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have any questions about this report or need additional information, contact Jill Carson, School Business Administrator, at Chartertech High School for the Performing Arts, Inc., 413 New Road, Somers Point, New Jersey.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

chARTer~TECH High School for the Performing Arts, Inc.
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 1,256,350.33
Receivables, net	263,721.07
Restricted Assets:	
Restricted Cash and Cash Equivalents	100,889.51
Capital Assets, net (Note 5)	<u>3,623,827.14</u>
Total Assets	<u>5,244,788.05</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Related to Pensions (Note 9)	<u>45,059.00</u>
LIABILITIES:	
Accounts Payable	64,882.83
Payable to Local Government	272,119.74
Noncurrent Liabilities (Note 6):	
Due within One Year	156,433.97
Due beyond One Year	<u>3,597,242.48</u>
Total Liabilities	<u>4,090,679.02</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to Pensions (Note 9)	<u>213,571.00</u>
NET POSITION:	
Net Investment in Capital Assets	
Restricted for:	1,037,130.41
Charter School Reserve	75,000.00
Unrestricted	<u>(126,533.38)</u>
Total Net Position	<u>\$ 985,597.03</u>

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

chARTer~TECH High School for the Performing Arts, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental Activities:					
Instruction	\$ 2,445,749.11		\$ 299,541.11	\$ (2,146,208.00)	\$ (2,146,208.00)
Administration	2,057,827.71			(2,057,827.71)	(2,057,827.71)
Support Services	1,947,633.25		571,947.01	(1,375,686.24)	(1,375,686.24)
Unallocated	48,994.50			(48,994.50)	(48,994.50)
Total Governmental Activities	6,500,204.57	-	871,488.12	(5,628,716.45)	(5,628,716.45)
Total Primary Government	\$ 6,500,204.57	\$ -	\$ 871,488.12	(5,628,716.45)	(5,628,716.45)
General Revenues:					
Local Levy				4,960,697.00	4,960,697.00
Categorical Aid and Other State Aid - Not Restricted				716,963.64	716,963.64
Miscellaneous Income				27,649.72	27,649.72
Total General Revenues				5,705,310.36	5,705,310.36
Change in Net Position				76,593.91	76,593.91
Net Position -- July 1				1,941,535.12	1,941,535.12
Prior Period Adjustment (Note 18)				(1,032,532.00)	(1,032,532.00)
Net Position, July 1 (Restated)				909,003.12	909,003.12
Net Position -- June 30				\$ 985,597.03	\$ 985,597.03

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

FUND FINANCIAL STATEMENTS

chARTer~TECH High School for the Performing Arts, Inc.
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 1,324,075.49	\$ 25,889.51	\$ 1,349,965.00
Interfund Receivables:			
Special Revenue Fund	162,589.00		162,589.00
Fiduciary Funds	113,213.47		113,213.47
Intergovernmental Receivables:			
Federal Receivables		136,699.49	136,699.49
State Receivables	8,820.11		8,820.11
Other LEAs - State Aid	4,988.00		4,988.00
Total Assets	\$ 1,613,686.07	\$ 162,589.00	\$ 1,776,275.07
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 45,625.83		\$ 45,625.83
Interfund Payables:			
General Fund		\$ 162,589.00	162,589.00
Intergovernmental Payables:			
Other LEAs - State Aid	272,119.74		272,119.74
Total Liabilities	317,745.57	162,589.00	480,334.57
Fund Balances:			
Restricted:			
Charter School Reserve	75,000.00		75,000.00
Assigned:			
Other Purposes	1,475.17		1,475.17
Designated for Subsequent Year Expenditures	96,241.00		96,241.00
Unassigned:			
General Fund	1,123,224.33		1,123,224.33
Total Fund Balances	1,295,940.50		1,295,940.50
Total Liabilities and Fund Balances	\$ 1,613,686.07	\$ 162,589.00	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,115,480.25, and the accumulated depreciation is \$2,491,653.11			
			3,623,827.14
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			(2,933,145.45)
Result of blending the component unit, Charterland LLC.			
			7,274.84
Net Pension Liability			
			(820,531.00)
Accounts Payable related to the April 1, 2016 Required PERS pension contribution that is not to be liquidated with current financial resources.			
			(19,257.00)
Deferred Outflows of Resources - Related to Pensions			
			45,059.00
Deferred Inflows of Resources - Related to Pensions			
			(213,571.00)
Net position of governmental activities			
			\$ 985,597.03

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

chARTer~TECH High School for the Performing Arts, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local Levy - Charter School Aid	\$ 4,960,697.00		\$ 4,960,697.00
Miscellaneous	27,649.72		27,649.72
State Sources	716,963.64		716,963.64
Federal Sources		<u>\$ 386,378.12</u>	<u>386,378.12</u>
Total Revenues	<u>5,705,310.36</u>	<u>386,378.12</u>	<u>6,091,688.48</u>
EXPENDITURES:			
Instruction	2,032,767.42	296,546.11	2,329,313.53
Administrative	1,371,607.83		1,371,607.83
Support Services	1,980,920.56	86,837.01	2,067,757.57
Capital Outlay	<u>172,491.61</u>	<u>2,995.00</u>	<u>175,486.61</u>
Total Expenditures	<u>5,557,787.42</u>	<u>386,378.12</u>	<u>5,944,165.54</u>
Excess (Deficiency) of Revenues over Expenditures	<u>147,522.94</u>		<u>147,522.94</u>
Net Change in Fund Balances	147,522.94		147,522.94
Fund Balance -- July 1	<u>1,148,417.56</u>		<u>1,148,417.56</u>
Fund Balance -- June 30	<u>\$ 1,295,940.50</u>	<u>\$ -</u>	<u>\$ 1,295,940.50</u>

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

chARTer~TECH High School for the Performing Arts, Inc.
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	147,522.94
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, 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 exceeded depreciation in the period.</p>		
Depreciation Expense	\$	(83,855.69)
Capital Outlays		175,486.61
Operating Appropriations Capitalized in accordance with the Charter School's policies		10,741.29
Less: Capital Outlays expensed in accordance with the Charter School's policies		<u>(172,491.61)</u>
		(70,119.40)
<p>The adoption of GASBS 61 requires the reporting of the Charter School's component unit, Charterland LLC, as a blended component unit on the statement of activities. Revenue and expenditure activity is not reported in the governmental funds.</p>		
		(69,768.23)
<p>Payment of capital leases is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		44,726.60
<p>Governmental funds report Charter School pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the Charter School's pension contributions in the current period.</p>		
		<u>24,232.00</u>
Change in Net Position of Governmental Activities	\$	<u>76,593.91</u>

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

chARTer~TECH High School for the Performing Arts, Inc.
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Agency Funds	
	Student Activity	Payroll
ASSETS:		
Cash and Cash Equivalents	\$ 65,066.37	\$ 123,906.90
Interfund Receivable - General Fund	282.86	
Total Assets	\$ 65,349.23	\$ 123,906.90
LIABILITIES:		
Interfund Payable - General Fund		\$ 113,496.33
Payable to Student Groups	\$ 65,349.23	
Payroll Deductions and Withholdings		10,410.57
Total Liabilities	\$ 65,349.23	\$ 123,906.90

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

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the chARTer~TECH High School for the Performing Arts, Inc., (the "Charter School") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The Charter School is a 9-12 performing arts charter school located in the County of Atlantic, State of New Jersey. It was created in 1999 through the approval of its New Jersey Charter School Application by the State of New Jersey, Department of Education. As a charter school, the chARTer~TECH High School for the Performing Arts, Inc. functions independently through a Board of Trustees (the "Board"). In accordance with the bylaws of the charter school, the Board is to consist of no less than seven and no more than nine voting members. Two of the voting members shall be elected by the Founders of the Corporation, serving a term of two years each. Three of the voting members ("at-large members") shall be elected by the prior year's Board, also serving a term of two years each. Two of the voting members shall be elected by the parents and/or legal guardians of the students in the school operated by the Corporation during that fiscal school year, each serving a one year term. The Board shall have not less than one ex-officio member who is an enrolled student of the school, elected by the students of the school operated by the Corporation during that fiscal/school year, to serve a term of one period. The Board will also have not less than one ex-officio member who is a teacher employed by the school, elected by the teachers employed by the school operated by the Corporation during that fiscal/school year, serving a term of one year. The purpose of the Charter School is to educate students in grades nine through twelve at its one school. The Charter School has an approximate enrollment at June 30, 2015 of 327.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School as well as those of the component unit, Charterland LLC, over which the Board exercises operating control. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

Component Units

In evaluating how to define the Charter School for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (Cont'd)**

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Charter School has determined that the following organization is considered component unit:

Charterland, LLC.
413 New Road
Somers Point, New Jersey 08244

In the accompanying consolidated financial statements, the component unit has been blended with chARTer~TECH High School for the Performing Arts, Inc., the sole member of Charterland, LLC. Intercompany transactions and balances have been eliminated in the blended Government-wide financial statements.

Government-wide and Fund Financial Statements

The Charter School's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The assets, liabilities and net position as well as the revenue and expenditures of the component unit have been blended into the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Charter School to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues from the Charter School's student's district of residence and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the Charter School segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the Charter School. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues from the Charter School's student's district of residence are recognized as revenues in the year for which they are established based on enrollment. In accordance with New Jersey State Statute, the Charter School is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from the Charter School's student's district of residence, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

The Charter School reports the following major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from revenues from the Charter School's student's district of residence, and appropriated fund balance. Expenditures are those which 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.

Charter Schools do not maintain debt service funds, therefore expenditures for principal and interest are accounted for in the general fund.

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 expenditures for specified purposes other than capital projects.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

The Charter School reports the following major governmental funds (cont'd):

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from grants, temporary notes, serial bonds, or from the general fund by way of transfers from capital outlay.

Debt Service Fund - Charter Schools do not maintain debt service funds. Expenditures for principal and interest are accounted for in the general fund.

Permanent Fund - The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Charter School's programs, that is, for the benefit of the Charter School or its students as a whole. The Charter School does not maintain a permanent fund.

Proprietary funds are used to account for the Charter School's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The Charter School does not maintain any proprietary funds.

Fiduciary funds are used to account for assets held by the Charter School on behalf of outside related organizations or on behalf of other funds within the Charter School. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Charter School maintains the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The Charter School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Charter School maintains the following agency funds: student activity fund and payroll fund.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The Charter School does not maintain any private-purpose trust funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all revenues from the Charter School's student's district of residence.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Budgets / Budgetary Control**

Annual appropriated budgets are prepared in the spring of each fiscal year for the general and special revenue funds, and are submitted to the county office of education. 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 108 budget line account system promulgated by the State of New Jersey Department of Education and based on the minimum chart of accounts referenced in N.J.A.C. 6A:23A 16.2(f)1. Transfers of appropriations may be made by board of trustees resolution at any time during the fiscal 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. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1 and exhibit C-2 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Charter School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Charter School has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments**

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Tuition Receivable

The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the district of residence of the Charter School or are non-resident students.

Revenues from District of Residence, Region of Residence and Non-Resident Districts

The Charter School's primary source of revenue is from the district of residence, region of residence or non-resident districts from which its students are enrolled in the Charter School. The amounts are calculated from the most recent budget data of the student's district.

Local Levy – Equalization Aid State and Local Share – The charter school's funding is pursuant to the *School Funding Reform Act of 2008*, which states the school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation.

Special Education / Security Aid – The school district of residence shall pay directly to the charter school the security aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the charter school.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Charter School, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the Charter School. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at fair market value at the time received.

The Charter School's capitalization threshold is \$2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building	30 Years
Leasehold Improvements	30 Years
Office Equipment	5 - 10 Years
Instructional Equipment	5 - 10 Years
General Equipment	3 Years

The Charter School does not possess any infrastructure assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Charter School is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Charter School's proportion of expenses and liabilities to the pension as a whole, differences between the Charter School's pension contribution and its proportionate share of contributions, and the Charter School's pension contributions subsequent to the pension valuation measurement date.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Charter School is eligible to realize the revenue.

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, 2015, the Charter School did not have accrued salaries and wages.

Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place. At June 30, 2015, the Charter School does not have a policy for the payment of compensated absences.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

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 Teachers' Pension and Annuity Fund ("TPAF") and Public Employees' Retirement System ("PERS") and additions to/deductions from TPAF's and PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond Discounts / Premiums

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts / premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position and on the proprietary fund statement of net position.

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The Charter School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

The Charter School reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Charter School's classifications, and policies for determining such classifications, are as follows:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd)**

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's highest level of decision-making authority, which, for the Charter School, is the Board of Trustees. Such formal action consists of an affirmative vote by the Board of Trustees, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Trustees removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Trustees or by the business administrator, to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Trustees.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Charter School to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Charter School to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfund Activity

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 2015, the Charter School adopted GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Charter School was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled \$1,032,532.00, and was recognized as a restatement of the Charter School's June 30, 2014 net position on the statement of activities (see note 18).

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement will become effective for the Charter School in fiscal year 2016. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement will become effective for the Charter School in fiscal year 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the Charter School in fiscal year 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Charter School in fiscal year 2018. Management has not yet determined the impact of this Statement on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement will become effective for the Charter School in fiscal year 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the Charter School in fiscal year 2017. Management does not expect this Statement will have an impact on the notes to the financial statements.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. All of the Charter School's bank balances of \$1,602,626.26 were insured.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of accounts (fees for services), intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the Charter School District's individual major and fiduciary funds, in the aggregate, are as follows:

<u>Description</u>	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>
Federal Awards		\$ 136,699.49	\$ 136,699.49
State Awards	\$ 8,820.11		8,820.11
Other LEAs	4,988.00		4,988.00
	<u>\$ 13,808.11</u>	<u>\$ 136,699.49</u>	<u>\$ 150,507.60</u>

Note 4: INVENTORY

Inventory recorded at June 30, 2015, the Charter School did not maintain any inventory.

Note 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
Building	\$ 4,139,130.78			\$ 4,139,130.78
Leashold Improvement	1,540,599.69	\$ 3,430.99		1,544,030.68
Office Equipment	74,177.20	10,768.80		84,946.00
Instructional Equipment	295,229.79	30,243.00		325,472.79
General Equipment	21,900.00			21,900.00
	<u>6,071,037.46</u>	<u>44,442.79</u>		<u>6,115,480.25</u>
Total Capital Assets, being Depreciated	<u>6,071,037.46</u>	<u>44,442.79</u>		<u>6,115,480.25</u>
Building	(1,554,824.47)	(137,971.03)		(1,692,795.50)
Leasehold Improvement	(470,168.45)	(51,696.24)		(521,864.69)
Office Equipment	(52,824.26)	(8,159.20)		(60,983.46)
Instructional Equipment	(172,572.54)	(23,096.92)		(195,669.46)
General Equipment	(19,436.67)	(903.33)		(20,340.00)
	<u>(2,269,826.39)</u>	<u>(221,826.72) *</u>		<u>(2,491,653.11)</u>
Total Accumulated Depreciation	<u>(2,269,826.39)</u>	<u>(221,826.72) *</u>		<u>(2,491,653.11)</u>
Total Capital Assets, being Depreciated, Net	<u>3,801,211.07</u>	<u>(177,383.93)</u>		<u>3,623,827.14</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,801,211.07</u>	<u>\$ (177,383.93)</u>	<u>\$ -</u>	<u>\$ 3,623,827.14</u>

Depreciation expense was charged to functions / programs of the Charter School as follows:

Instruction	\$ 23,587.95
Administrative	147,559.11
Support Services	1,685.16
Unallocated	48,994.50
	<u>48,994.50</u>
Total Depreciation Expense	<u>\$ 221,826.72</u>

Note 6: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in long-term obligations for governmental activities:

	(Restated) Principal Outstanding July 1, 2014	Additions	Reductions	Principal Outstanding June 30, 2015	Due Within One Year
Governmental Activities:					
Charterland Mortgages	\$ 2,900,048.52		\$ (107,264.52)	\$ 2,792,784.00	\$ 111,707.37
Net Pension Liabilities	1,032,532.00		(212,001.00)	820,531.00	
Obligations under Capital Leases	185,088.05		(44,726.60)	140,361.45	44,726.60
	<u>\$ 4,117,668.57</u>	<u>\$ -</u>	<u>\$ (363,992.12)</u>	<u>\$ 3,753,676.45</u>	<u>\$ 156,433.97</u>

The obligations under capital lease are liquidated by the general fund. The net pension liability is liquidated by the general fund. The mortgages, an obligation of Charterland, LLC, are funded by rental payments paid to the component unit by the Charter School.

Obligations under Capital Lease - The Charter School is leasing HVAC units and furniture totaling \$270,961.20 under capital leases. All capital leases are for terms of three to five years. Capital leases are depreciated in a manner consistent with the Charter School's depreciation policy for owned assets. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2015.

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 44,726.60	\$ 9,469.24	\$ 54,195.84
2017	44,726.60	9,469.24	54,195.84
2018	44,726.60	9,469.24	54,195.84
2019	6,181.65	1,518.21	7,699.86
	<u>\$ 140,361.45</u>	<u>\$ 29,925.93</u>	<u>\$ 170,287.38</u>

Net Pension Liability - For details on the net pension liability, refer to note 9. The School District's annual required contribution to the Public Employees' Retirement System are budgeted and paid from the general fund on an annual basis.

Mortgage Payable - On June 29, 2012 Charterland, LLC entered into a Loan Security Agreement with Santander Bank (formerly known as Sovereign Bank) to refinance their outstanding mortgage payable in the amount of \$3,400,000.00. The new Loan Security agreement consisted of a Fixed Rate Term Loan in the amount of \$1,550,000.00, a Floating Rate Term Loan in the amount of \$1,550,000.00 and a revolving line of credit in the amount of \$300,000.00. This Loan Security Agreement is secured by real estate, contents and other property of Charterland, LLC and chARTer~TECH High School for the Performing Arts.

Note 6: LONG-TERM LIABILITIES (CONT'D)**Mortgage Payable (Cont'd)**

Fixed Rate Term Loan - The Fixed Rate Term Loan is payable over one hundred and nineteen (119) consecutive monthly payments of principal and interest, based on a ten year amortization schedule. Interest on the outstanding principal balance shall accrue during sixty consecutive months at a fixed rate of interest per annum equal to the sum of the Lender's Cost of Funds as set three days prior to the date of the agreement plus three hundred basis points (3.00%), and thereafter, commencing on the first day of the sixty-first month following the Closing Date, reset at a fixed rate of interest per annum based on the then United States Treasury securities with a five year maturity, plus three hundred sixty basis points (3.60%). During the first sixty months of the Loan, the monthly amount of principal and interest payment shall be approximately \$9,929.14. Said monthly payments shall be due on the 29th day of each month, and the first payment was due on July 29, 2012. Interest expense related to this obligation was \$66,282.00 for the year ended June 30, 2015, all of which is included in administrative expenses in the government-wide financial statements.

The future minimum debt payments under this agreement are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 55,198.02	\$ 63,950.70	\$ 119,148.72
2017	<u>1,343,276.19</u>	<u>61,155.70</u>	<u>1,404,431.89</u>
	<u>\$ 1,398,474.21</u>	<u>\$ 125,106.40</u>	<u>\$ 1,523,580.61</u>

Floating Rate Term Loan – The Floating Rate Term Loan is payable over one hundred and nineteen (119) consecutive monthly payments of principal and interest based on a ten year amortization schedule. Interest on the outstanding principal balance shall be paid at a floating rate equal to the sum of the one month LIBOR plus three hundred basis points (3.00%). Charterland, LLC has the option of purchasing an interest rate protection agreement (a “Swap Agreement”). The Swap Agreement may be for (i) either the full term of the Floating Rate Term Loan from the closing date through the Floating Rate Term Loan Maturity Date, or (ii) a five year term from the closing date through the first day of the sixty-first month following the closing date, provided, however, that if Charterland, LLC enters into a five year Swap Agreement, then, prior to the first day of the sixty-first month following the closing date, Charterland, LLC shall enter into another Swap Agreement for a five year term commencing on such first day of the sixty-first month following the closing date through the Floating Rate Loan Maturity Date, and at all times, be in a notional amount sufficient to cover all principal amounts outstanding from time to time. All costs, expenses, and indemnity obligations that may be incurred by Santander Bank as a result of Charterland, LLC's default under, or termination of, the Swap Agreement shall be subject to immediate reimbursement by Charterland, LLC. Interest expense and swap fees related to this obligation was \$45,560.43 and \$17,642.22 for the year ending June 30, 2015, all of which is included in administrative expenses in the government-wide financial statements.

Note 6: LONG-TERM LIABILITIES (CONT'D)**Mortgage Payable (Cont'd)****Floating Rate Term Loan (Cont'd) –**

The future minimum debt payments under this agreement are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30,</u>			
2016	\$ 56,509.35	\$ 44,408.77	\$ 56,509.35
2017	1,337,800.44	64,883.32	1,337,800.44
	<u>\$ 1,394,309.79</u>	<u>\$ 109,292.09</u>	<u>\$ 1,394,309.79</u>

Note 7: OPERATING LEASES

At June 30, 2015, the Charter School had operating lease agreements in effect for copy machines and mail machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

Year Ending	Amount
<u>June 30,</u>	
2016	\$16,380.00
2017	16,380.00
2018	12,105.00
2019	8,520.00
2020	7,100.00
	<u>\$ 60,485.00</u>

Rental payments under operating leases for the fiscal year ended June 30, 2015 were \$19,330.00.

Note 9: PENSION PLANS (CONT'D)**General Information About the Pension Plans****Plan Descriptions**

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund ("TPAF") is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. 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's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Charter School, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for a certain enrollment tier but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for certain enrollment tiers, but who earn salary of at least \$5,000.00 annually.

Vesting and Benefit Provisions

Teachers' Pension and Annuity Fund - 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.

The following represents the membership tiers for TPAF:

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

Note 9: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Vesting and Benefits Provisions (Cont'd)**

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

Public Employees' Retirement System - 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 membership tiers for PERS are the same as noted above for TPAF.

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

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

Note 9: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Contributions**

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State of New Jersey contribution amount 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 2014 and 2013, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Charter School and all other related non-contributing employers. No normal or accrued liability contribution by the Charter School has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The Charter School's contractually required contribution rate for the fiscal year ended June 30, 2015 was 3.26% of the Charter School's covered-employee payroll, of which 0.00% of payroll was required from the Charter School and 100.00% of payroll was required from the State of New Jersey. The Charter School was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2015 because of the 100.00% special funding situation with the State of New Jersey.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

The Charter School's contractually required contribution rate for the fiscal year ended June 30, 2015 was 10.66% of annual Charter School payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Charter School were \$19,257.00 for the fiscal year ended June 30, 2015.

Defined Contribution Retirement Program - State and local government employers contribute 3% of the employees' base salary. Active members contribute 5.5% of base salary.

For the fiscal year ended June 30, 2015, the Charter School had no employees enrolled in the DCRP.

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Teachers' Pension and Annuity Fund - At June 30, 2015, the Charter School was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the Charter School. The proportionate shares of net pension liability, the related State of New Jersey support, and the total portion of the net pension liability that was associated with the Charter School were as follows:

Charter School's Proportionate Share of Net Pension Liability	
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Charter School	<u>\$ 9,015,353.00</u>
	<u>\$ 9,015,353.00</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2014. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2015, the Charter School proportion was 0.00% due to the 100% special funding situation of the State of New Jersey. For the fiscal year ended June 30, 2015, the Charter School recognized \$485,110.00 in revenue and expense, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions.

Public Employees' Retirement System - At June 30, 2015, the Charter School reported a liability of \$820,531.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2014. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Charter School's proportion was .0043825366%, which was a decrease of .0010199987% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the Charter School recognized \$11,916.00, in the government-wide financial statements, for pension expense for PERS.

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Public Employees' Retirement System (Cont'd) - At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences Between Expected and Actual Experience		
Changes of Assumptions	\$ 25,802.00	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 48,899.00
Changes in Proportion and Differences Between Charter School Contributions and Proportionate Share of Contributions		164,672.00
Charter School Contributions Subsequent to the Measurement Date	<u>19,257.00</u>	
	<u>\$ 45,059.00</u>	<u>\$ 213,571.00</u>

\$19,257.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

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

<u>Fiscal Year Ending June 30,</u>	<u>PERS</u>
2015	\$ (7,481.80)
2016	(7,481.80)
2017	(7,481.80)
2018	(7,481.80)
2019	4,742.99
Thereafter	<u>2,086.92</u>
	<u>\$ (23,097.28)</u>

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Actuarial Assumptions**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.50%	3.01%
Salary Increases:		
2012-2021	Varies Based on Experience	2.15% - 4.40% Based on Age
Thereafter	Varies Based on Experience	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Period of Actuarial Experience

Study upon which Actuarial
Assumptions were Based

July 1, 2009 - June 30, 2012

July 1, 2008 - June 30, 2011

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>TPAF</u>		<u>PERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%	6.00%	0.80%
Core Fixed Income	-	2.19%	-	-
Core Bonds	1.00%	1.38%	1.00%	2.49%
Short-Term Bonds	-	1.00%	-	-
Intermediate-Term Bonds	11.20%	2.60%	11.20%	2.26%
Long-Term Bonds	-	3.23%	-	-
Mortgages	2.50%	2.84%	2.50%	2.17%
High Yield Bonds	5.50%	4.15%	5.50%	4.82%
Non-US Fixed Income	-	1.41%	-	-
Inflation-Indexed Bonds	2.50%	1.30%	2.50%	3.51%
Broad US Equities	25.90%	5.88%	25.90%	8.22%
Large Cap US Equities	-	5.62%	-	-
Mid Cap US Equities	-	6.39%	-	-
Small Cap US Equities	-	7.39%	-	-
Developed Foreign Equities	12.70%	6.05%	12.70%	8.12%
Emerging Market Equities	6.50%	8.90%	6.50%	9.91%
Private Equity	8.25%	9.15%	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	3.85%	12.25%	4.92%
Real Estate (Property)	3.20%	4.43%	3.20%	5.80%
Real Estate (REITS)	-	5.58%	-	-
Commodities	2.50%	3.60%	2.50%	5.35%
Long Credit Bonds	-	3.74%	-	-
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 4.68% and 4.95% for TPAF as of June 30, 2014 and 2013, respectively, and 5.39% and 5.55% for PERS as of June 30, 2014 and 2013, respectively. For TPAF and PERS, these single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, 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 rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. 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 2027 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Sensitivity of Charter School's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Teachers' Pension and Annuity Fund (TPAF) - As indicated above, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution. As such, the net pension liability as of June 30, 2014 attributable to the Charter School is \$0 and the State's net pension liability attributable to the Charter School using a discount rate of 4.68%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease <u>(3.68%)</u>	Current Discount Rate <u>(4.68%)</u>	1% Increase <u>(5.68%)</u>
Charter School's Proportionate Share of the Net Pension Liability	-	-	-
State's Proportionate Share of the Net Pension Liability	\$ 10,843,101.49	\$ 9,015,353.00	\$ 7,495,144.38
	<u>\$ 10,843,101.49</u>	<u>\$ 9,015,353.00</u>	<u>\$ 7,495,144.38</u>

Public Employees' Retirement System (PERS) - The following presents the Charter School's proportionate share of the net pension liability at June 30, 2014 calculated using a discount rate of 5.39% for PERS, 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% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease <u>(4.39%)</u>	Current Discount Rate <u>(5.39%)</u>	1% Increase <u>(6.39%)</u>
Charter School's Proportionate Share of the Net Pension Liability	\$ 1,032,255.58	\$ 820,530.71	\$ 642,735.71

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated above.

Note 10: STATE POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving postemployment medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2015, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF in the fund financial statements. The amounts recognized as revenues and expenditures for normal costs and post-retirement medical costs were \$101,787.00 and \$161,585.00, respectively.

Note 12: RISK MANAGEMENT

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

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Contribution Method". Under this plan, the Charter School is provided an experience rate by the State of New Jersey.

Note 13: DEFERRED COMPENSATION

The Charter School offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, 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. The plan administrators are as follows:

Lincoln Investments Planning Inc.
Axa Equitable

Note 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 275,802.47	
Special Revenue		\$ 162,589.00
Fiduciary	282.86	113,496.33
	<u>\$ 276,085.33</u>	<u>\$ 276,085.33</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2016, the Charter School expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 15: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter School expects such amount, if any, to be immaterial.

Litigation - The Charter School is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Charter School, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 16: CONCENTRATIONS

The Charter School depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the Charter School is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 17: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Charter School's fund balance are summarized as follows:

General Fund

For Charter School Escrow Reserve – In accordance with the New Jersey Charter School agreement, the Charter School has established an escrow that is restricted for the possible costs associated with the dissolution of the charter school. Within five years of the signing of the agreement, the reserve must reach a balance of \$75,000.00. As of June 30, 2015, the balance of the escrow is \$75,000.00.

Note 17: FUND BALANCES (CONT'D)**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Charter School's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The Charter School has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2016 \$96,241.00 of general fund balance at June 30, 2015.

Other Purposes - As of June 30, 2015, the Charter School had \$1,475.17 of encumbrances outstanding for purchase orders and contracts signed by the Charter School, but not completed, as of the close of the fiscal year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Charter School's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2015, \$1,123,224.33 of general fund balance was unassigned.

Note 18: RESTATEMENT OF NET POSITION

As indicated in note 1 to the financial statements, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, for the fiscal year ended June 30, 2015. As a result of implementing these two Statements, a restatement of unrestricted net position on the government-wide statement of activities was required to record the School District's proportionate share of its net pension liability. The cumulative effect on the financial statements as reported for June 30, 2014 is as follows:

	Net Position As Previously Reported June 30, 2014	GASB 68 Implementation			Net Position As Restated June 30, 2014
		Net Pension Liability (1)	Deferred Outflows (2)	Accounts Payable (3)	
Governmental Activities:					
Net Investment in Capital Assets	\$ 1,031,816.70				\$ 1,031,816.70
Reserve for:					
Unrestricted (Deficit)	909,718.42	\$ (1,032,532.00)	\$ 19,257.00	\$ (19,257.00)	(122,813.58)
Total Net Position	<u>\$ 1,941,535.12</u>	<u>\$ (1,032,532.00)</u>	<u>\$ 19,257.00</u>	<u>\$ (19,257.00)</u>	<u>\$ 909,003.12</u>

- (1) Represents the District's proportionate share of the Public Employees' Retirement System (PERS) June 30, 2013 Net Pension Liability.
- (2) Represents the District's beginning deferred outflow of resources for contributions subsequent to the measurement date, paid on April 1, 2015.
- (3) Represents the District's accounts payable for contributions subsequent to the measurement date, paid on April 1, 2015. The State of New Jersey Division of Pension and Benefits has an accounts receivable recorded in the PERS Plan Audit.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

chARTer-TECH High School for the Performing Arts, Inc.

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund

For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Levy:					
Local Share - Charter School Aid	\$ 5,466,917.00	\$ (506,220.00)	\$ 4,960,697.00	\$ 3,145,344.00	\$ (1,815,353.00)
State Share - Charter School Aid				1,815,353.00	1,815,353.00
Total - Local Levy	5,466,917.00	(506,220.00)	4,960,697.00	4,960,697.00	
Categorical and Other State Aid:					
Special Education Aid	219,381.00	(25,188.00)	194,193.00	194,077.00	(116.00)
Security Aid	95,552.00	(14,386.00)	81,166.00	81,282.00	116.00
On - behalf TPAF Pension Contributions				101,787.00	101,787.00
On - behalf TPAF Pension Contributions-Post Retirement Medical				161,585.00	161,585.00
Reimbursed TPAF Social Security Contributions				178,232.64	178,232.64
Total - Categorical and Other State Aid	314,933.00	(39,574.00)	275,359.00	716,963.64	441,604.64
Revenue from Other Sources					
Interest				12.04	12.04
Rentals				326.00	326.00
Other Miscellaneous				25,917.93	25,917.93
Donations				1,393.75	1,393.75
Total - Revenue from Other Sources				27,649.72	27,649.72
Total Revenues	5,781,850.00	(545,794.00)	5,236,056.00	5,705,310.36	469,254.36

(Continued)

chARTer-TECH High School for the Performing Arts, Inc.

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES:					
Instruction:					
Salaries for Instruction	\$ 1,892,745.00	\$ (39,846.25)	\$ 1,852,898.75	\$ 1,836,660.42	\$ 16,238.33
Purchased Professional and Technical Services	17,000.00	(4,329.25)	12,670.75	7,415.70	5,255.05
Other Purchased Services	31,000.00	(5,300.00)	25,700.00	20,071.18	5,628.82
General Supplies	117,200.00	(25,850.00)	91,350.00	90,684.12	665.88
Textbooks	60,000.00	(30,000.00)	30,000.00	16,845.61	13,154.39
Miscellaneous Expense	77,000.00	(10,372.00)	66,628.00	61,090.39	5,537.61
Total Instructional Expenses	2,194,945.00	(115,697.50)	2,079,247.50	2,032,767.42	46,480.08
Administrative:					
Salaries - Administration	387,718.50	23,053.79	410,772.29	384,803.56	25,968.73
Salaries of Secretarial / Clerical Assistants	69,712.68	19,334.03	89,046.71	89,046.71	
Benefit Costs	906,300.00	(118,371.00)	787,929.00	718,530.66	69,398.34
Purchased Professional and Technical Services	150,500.00	(30,986.00)	119,514.00	115,958.61	3,555.39
Other Purchased Services	36,770.00	(10,400.00)	26,370.00	25,602.00	768.00
Communications and Telephone	32,500.00	3,472.00	35,972.00	35,330.36	641.64
Supplies and Materials	9,500.00	(2,600.00)	6,900.00	1,263.25	5,636.75
Miscellaneous Expense	7,000.00	(5,000.00)	2,000.00	1,072.68	927.32
Total Administrative Expense	1,600,001.18	(121,497.18)	1,478,504.00	1,371,607.83	106,896.17
Support Services:					
Salaries	407,591.00	(9,417.50)	398,173.50	383,780.32	14,393.18
Other Purchased Services	201,177.00	167,500.00	368,677.00	327,801.18	40,875.82
Rental of Land and Buildings	1,086,800.00	(226,300.00)	860,500.00	671,795.12	188,704.88
Insurance	35,000.00	4,393.00	39,393.00	33,144.00	6,249.00
Supplies and Materials	64,500.00	(28,000.00)	36,500.00	16,585.40	19,914.60
Energy Costs (Heat and Electricity)	132,000.00	(12,000.00)	120,000.00	106,209.90	13,790.10
Total Support Services Expense	1,927,068.00	(103,824.50)	1,823,243.50	1,539,315.92	283,927.58

(Continued)

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2015

EXPENDITURES (CONT'D):	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Capital Outlay:					
Instructional Equipment	\$ 40,000.00	\$ 39,000.00	\$ 79,000.00	\$ 54,589.71	\$ 24,410.29
Noninstructional Equipment	100,000.00	(38,200.00)	61,800.00	54,344.98	7,455.02
Miscellaneous Expense		70,000.00	70,000.00	63,556.92	6,443.08
Total Capital Outlay	<u>140,000.00</u>	<u>70,800.00</u>	<u>210,800.00</u>	<u>172,491.61</u>	<u>38,308.39</u>
On - behalf TPAF Pension Contributions				101,787.00	(101,787.00)
On - behalf TPAF Pension Contributions-Post Retirement Medical				161,585.00	(161,585.00)
Reimbursed TPAF Social Security Contributions				178,232.64	(178,232.64)
Total Expenditures	<u>5,862,014.18</u>	<u>(270,219.18)</u>	<u>5,591,795.00</u>	<u>5,557,787.42</u>	<u>34,007.58</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(80,164.18)</u>	<u>(275,574.82)</u>	<u>(355,739.00)</u>	<u>147,522.94</u>	<u>503,261.94</u>
Fund Balances, July 1	<u>\$ 1,148,417.56</u>		<u>\$ 1,148,417.56</u>	<u>\$ 1,148,417.56</u>	
Fund Balances, June 30	<u>\$ 1,068,253.38</u>	<u>\$ (275,574.82)</u>	<u>\$ 792,678.56</u>	<u>\$ 1,295,940.50</u>	<u>\$ 503,261.94</u>
Recapitulation:					
Restricted - Charter School Reserve				\$ 75,000.00	
Assigned - Year End Encumbrances				1,475.17	
Assigned - Designated for Subsequent Year's Expenditures				96,241.00	
Unassigned				<u>1,123,224.33</u>	
				<u>\$ 1,295,940.50</u>	

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
REVENUES:					
Federal Sources:					
Title I	\$ 266,511.00		\$ 266,511.00	\$ 247,565.90	\$ (18,945.10)
Title II A	7,816.00		7,816.00	7,816.00	
I.D.E.A., Part B	84,904.44		84,904.44	84,904.44	
Carl D. Perkins Vocational and Technical Education Act	<u>46,092.00</u>		<u>46,092.00</u>	<u>46,091.78</u>	<u>(0.22)</u>
Total - Federal Sources	<u>405,323.44</u>		<u>405,323.44</u>	<u>386,378.12</u>	<u>(18,945.32)</u>
Total Revenues	<u>405,323.44</u>		<u>405,323.44</u>	<u>386,378.12</u>	<u>(18,945.32)</u>

(Continued)

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 260,800.00	\$ (25,000.00)	\$ 235,800.00	\$ 228,515.50	\$ 7,284.50
Purchased Professional and Technical Services	2,000.00		2,000.00	2,000.00	
Instructional Supplies	38,778.00	30,583.00	69,361.00	66,030.61	3,330.39
Total Instruction	301,578.00	5,583.00	307,161.00	296,546.11	10,614.89
Support Services:					
Personal Services - Employee Benefits	57,679.00	(5,583.00)	52,096.00	51,825.00	271.00
Purchased Professional and Technical Services	19,831.44		19,831.44	19,831.44	
Other Purchased Services (400-500 series)	22,040.00		22,040.00	13,980.57	8,059.43
Travel	1,200.00		1,200.00	1,200.00	
Total Support Services	100,750.44	(5,583.00)	95,167.44	86,837.01	8,330.43
Facilities Acquisition and Construction Services:					
Instructional Equipment	2,995.00		2,995.00	2,995.00	
Total Expenditures	405,323.44		405,323.44	386,378.12	18,945.32
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended June 30, 2015

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 5,705,310.36	\$ 386,378.12
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 5,705,310.36	\$ 386,378.12
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 5,557,787.42	\$ 386,378.12
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 5,557,787.42	\$ 386,378.12

**REQUIRED SUPPLEMENTARY INFORMATION
PART III**

**ACCOUNTING AND REPORTING FOR PENSIONS
(GASBS NO. 68) SCHEDULES**

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Two Fiscal Years

	<u>Measurement Date Ending June 30,</u>	
	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0043825366%	0.0054025353%
School District's Proportionate Share of the Net Pension Liability	\$ 1,216,522.00	\$ 1,768,522.00
School District's Covered-Employee Payroll	\$ 148,722.00	\$ 315,110.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	817.98%	561.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	48.72%

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

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Schedule of the School District's Contributions
 Public Employees' Retirement System (PERS)
 Last Two Fiscal Years

	Fiscal Year Ended June 30,	
	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 19,257.00	\$ 36,129.00
Contributions in Relation to the Contractually Required Contribution	<u>(19,257.00)</u>	<u>(36,129.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School District's Covered-Employee Payroll	\$ 180,715.00	\$ 148,722.00
Contributions as a Percentage of School District's Covered-Employee Payroll	10.66%	24.29%

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

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Teachers' Pension and Annuity Fund (TPAF)
 Last Two Fiscal Years

	<u>Measurement Date Ending June 30,</u>	
	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the School District	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the School District	<u>9,015,353.00</u>	<u>8,722,919.00</u>
	<u>\$ 9,015,353.00</u>	<u>\$ 8,722,919.00</u>
School District's Covered-Employee Payroll	\$ 2,101,907.00	\$ 1,793,478.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	428.91%	486.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	33.76%

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

chARTer~TECH High School for the Performing Arts, Inc.
Required Supplementary Information
Schedule of School District's Contributions
Teachers' Pension and Annuity Fund (TPAF)
Last 10 Fiscal Years

This schedule is not applicable.

The School District is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

chARTer~TECH High School for the Performing Arts, Inc.
Notes to Required Supplementary Information - Part III
For the Fiscal Year Ended June 30, 2015

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.55% as of June 30, 2013, to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 4.95% as of June 30, 2013, to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

chARTer~TECH High School for the Performing Arts, Inc.
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2015

	No Child Left Behind					Carl D. Perkins Vocational Technical Education Act
	Title I	Title II A	I.D.E.A. Basic			
<u>Total</u>						
REVENUES:						
Federal Sources	\$ 247,565.90	\$ 7,816.00	\$ 84,904.44	\$ 46,091.78		
Total Revenues	247,565.90	7,816.00	84,904.44	46,091.78		
EXPENDITURES:						
Instruction:						
Salaries of Teachers	164,515.50		64,000.00			
Purchased Professional and Technical Services	2,000.00			2,000.00		
Instructional Supplies	27,252.83		876.00	37,901.78		
Total Instruction	191,768.33		64,876.00	39,901.78		
Support Services:						
Personal Services - Employee Benefits	35,185.00		16,640.00			
Purchased Professional and Technical Services	8,627.00	7,816.00	3,388.44			
Other Purchased Services (400-500 series)	11,985.57			1,995.00		
Travel	1,200.00			1,200.00		
Total Support Services	55,797.57	7,816.00	20,028.44	3,195.00		
Facilities Acquisition and Construction Services:						
Instructional Equipment	2,995.00			2,995.00		
Total Facilities Acquisition and Construction Services	2,995.00			2,995.00		
Total Expenditures	247,565.90	7,816.00	84,904.44	46,091.78		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FIDUCIARY FUNDS

chARTer~TECH High School for the Performing Arts, Inc.
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2015

	Agency Funds		
	Student Activity	Payroll	Total
ASSETS:			
Cash and Cash Equivalents	\$ 65,066.37	\$ 123,906.90	\$ 188,973.27
Interfund Receivable - General Fund	282.86		282.86
Total Assets	\$ 65,349.23	\$ 123,906.90	\$ 189,256.13
LIABILITIES:			
Interfund Payable - General Fund		\$ 113,496.33	\$ 113,496.33
Payable to Student Groups	\$ 65,349.23		65,349.23
Payroll Deductions and Withholdings		10,410.57	10,410.57
Total Liabilities	\$ 65,349.23	\$ 123,906.90	\$ 189,256.13

chARTer~TECH High School for the Performing Arts, Inc.
Fiduciary Funds
Student Activity Agency Fund Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2015

	Balance <u>June 30, 2014</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2015</u>
Total Senior High Schools	<u>\$ 74,313.07</u>	<u>\$ 92,581.28</u>	<u>\$ 101,545.12</u>	<u>\$ 65,349.23</u>

chARTer~TECH High School for the Performing Arts, Inc.
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS:				
Cash and Cash Equivalents	\$ 11,365.91	\$ 3,285,771.21	\$ 3,173,230.22	\$ 123,906.90
Total Assets	<u>\$ 11,365.91</u>	<u>\$ 3,285,771.21</u>	<u>\$ 3,173,230.22</u>	<u>\$ 123,906.90</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 5,223.10	\$ 1,124,503.73	\$ 1,119,316.26	\$ 10,410.57
Net Payroll		2,047,701.15	2,047,701.15	
Interfund Accounts Payable:				
Due General Fund	<u>6,142.81</u>	<u>113,566.33</u>	<u>6,212.81</u>	<u>113,496.33</u>
Total Liabilities	<u>\$ 11,365.91</u>	<u>\$ 3,285,771.21</u>	<u>\$ 3,173,230.22</u>	<u>\$ 123,906.90</u>

LONG-TERM DEBT

chARTer-TECH High School for the Performing Arts
 Schedule of Obligations Under Capital Leases
 For the Fiscal Year Ended June 30, 2015

<u>SERIES</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue Principal</u>	<u>Interest</u>	<u>Amount Outstanding July 1, 2014</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2015</u>
Instructional Furniture and Equipment	June 19, 2013	July 15, 2013 to June 15, 2018	14.50%	\$ 100,000.00	\$ 16,982.00	\$ 80,000.00	\$ 20,000.00	\$ 60,000.00
HVAC Equipment	June 19, 2013	October 30, 2013 to September 30, 2019	19.7%	123,633.00	30,364.20	105,088.05	24,726.60	80,361.45
						<u>185,088.05</u>	<u>\$ 44,726.60</u>	<u>\$ 140,361.45</u>

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the Charter School's financial position has changed over time. Please refer to the following exhibits for a historical view of the Charter School's financial performance.

chARTer-TECH High School for the Performing Arts, Inc.
 Net Position by Component
 Last Ten Fiscal Years (accrual basis of accounting)
 Unaudited

	2015**	2014	2013*	2012	2011	2010	2009	2008	2007	2006
Governmental Activities										
Net Investment in Capital Assets	\$ 1,037,130.41	\$ 1,031,816.70	\$ 879,118.23	\$ 930,045.08	\$ 996,780.49	\$ 1,025,915.08	\$ 1,093,634.53	\$ 1,078,391.60	\$ 1,302,125.12	\$ 1,281,112.00
Restricted	75,000.00						46,000.00	46,000.00	46,000.00	48,932.00
Unrestricted	(126,533.38)	909,718.42	689,292.93	222,977.99	183,566.86	130,480.17	382,980.92	392,388.59	429,950.24	281,614.00
Total Governmental Activities Net Position	\$ 985,597.03	\$ 1,941,535.12	\$ 1,548,411.16	\$ 1,153,024.07	\$ 1,180,347.35	\$ 1,156,395.25	\$ 1,522,615.45	\$ 1,516,780.19	\$ 1,778,075.36	\$ 1,591,658.00
Component Unit										
Unrestricted (Deficit)					\$ 485,748.91	\$ 286,210.97	\$ 112,799.66	\$ (209,819.38)	\$ (164,781.94)	\$ (113,804.00)
Total Business-type Activities Net Position	-	-	-	-	\$ 485,748.91	\$ 286,210.97	\$ 112,799.66	\$ (209,819.38)	\$ (164,781.94)	\$ (113,804.00)
District-wide										
Net Investments in Capital Assets	\$ 1,037,130.41	\$ 1,031,816.70	\$ 879,118.23	\$ 930,045.08	\$ 996,780.49	\$ 1,025,915.08	\$ 1,093,634.53	\$ 1,302,125.12	\$ 1,302,125.12	\$ 1,281,112.00
Restricted	75,000.00						46,000.00	46,000.00	46,000.00	48,932.00
Unrestricted	(126,533.38)	909,718.42	689,292.93	222,977.99	669,315.77	418,691.14	495,780.58	265,168.30	265,168.30	147,810.00
Total District-wide Net Position	\$ 985,597.03	\$ 1,941,535.12	\$ 1,548,411.16	\$ 1,153,024.07	\$ 1,666,096.26	\$ 1,444,606.22	\$ 1,635,415.11	\$ 1,613,293.42	\$ 1,613,293.42	\$ 1,477,854.00

Source: Charter Schools Records

* - Beginning in fiscal year 2013 the presentation of the Charter School's component unit is blended due to the issuance of GASBS 61. Whereas in prior years it was discretely presented.

**Amounts for the year 2015 include the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68

chARTer-TECH High School for the Performing Arts, Inc.
Changes in Net Position
Last Ten Fiscal Years (accrual basis of accounting)
Unaudited

	2015**	2014	2013*	2012	Fiscal Year Ended June 30,	2009	2008	2007	2006
					2011				
Expenses									
Governmental Activities									
Instruction	\$ 2,445,749.11	\$ 1,895,798.14	\$ 1,981,441.94	\$ 1,816,942.56	\$ 1,648,071.84	\$ 1,556,749.05	\$ 1,694,440.80	\$ 1,316,864.99	\$ 1,275,740.00
Administration	2,057,827.71	2,022,262.48	1,828,050.38	1,344,408.74	1,173,178.76	1,036,339.78	930,909.65	772,938.19	762,267.00
Support Services	1,947,633.25	1,271,471.11	1,093,295.52	1,923,391.98	1,431,275.70	1,452,611.00	924,065.80	748,193.20	763,297.00
Unallocated	48,994.50	1,271,471.11	1,093,295.52	1,923,391.98	1,431,275.70	1,452,611.00	924,065.80	748,193.20	763,297.00
Total Governmental Activities Expenses	6,500,204.57	6,461,002.84	5,996,083.36	7,008,135.26	5,683,802.00	4,045,699.83	4,473,482.05	3,586,189.88	3,565,101.00
Component Unit:									
Administration	-	-	-	1,385,876.64	599,491.95	479,074.67	375,351.73	375,184.39	380,440.00
Total Component Unit Expense	-	-	-	1,385,876.64	599,491.95	479,074.67	375,351.73	375,184.39	380,440.00
Total Expenses	\$ 6,500,204.57	\$ 6,461,002.84	\$ 5,996,083.36	\$ 8,394,011.90	\$ 6,283,293.95	\$ 4,988,916.92	\$ 4,848,833.78	\$ 3,961,373.97	\$ 3,945,541.00
Program Revenues									
Governmental Activities:									
Operating Grants and Contributions	\$ 871,488.12	\$ 143,817.42	\$ 260,133.19	\$ 194,203.00	\$ 202,013.87	\$ 137,408.72	\$ 136,322.93	\$ 151,542.93	\$ 143,165.00
Total Governmental Activities Program Revenues	871,488.12	143,817.42	260,133.19	194,203.00	202,013.87	137,408.72	136,322.93	151,542.93	143,165.00
Total Program Revenues	\$ 871,488.12	\$ 143,817.42	\$ 260,133.19	\$ 194,203.00	\$ 202,013.87	\$ 137,408.72	\$ 136,322.93	\$ 151,542.93	\$ 143,165.00
Net (Expense)/Revenue									
Governmental Activities	\$ (5,628,716.45)	\$ (6,317,185.42)	\$ (5,735,950.17)	\$ (4,890,540.28)	\$ (4,050,512.43)	\$ (3,908,291.11)	\$ (4,337,159.12)	\$ (3,434,646.65)	\$ (2,668,639.00)
Component Unit Activities	(5,628,716.45)	(6,317,185.42)	(5,735,950.17)	(4,890,540.28)	(4,050,512.43)	(3,908,291.11)	(4,337,159.12)	(3,434,646.65)	(2,668,639.00)
Total District-wide Net Expense	\$ (5,628,716.45)	\$ (6,317,185.42)	\$ (5,735,950.17)	\$ (4,890,540.28)	\$ (4,050,512.43)	\$ (3,908,291.11)	\$ (4,337,159.12)	\$ (3,434,646.65)	\$ (2,668,639.00)
General Revenues and Other Changes in Net Position									
Governmental Activities:									
Local Levy and Charter School Aid	\$ 5,677,660.64	\$ 5,456,675.27	\$ 4,997,393.46	\$ 4,853,508.70	\$ 4,066,113.27	\$ 3,728,567.47	\$ 3,119,632.70	\$ 2,737,362.00	\$ 2,692,007.00
Proceeds from Charter/Land Refinance	27,649.72	460.68	40,338.49	9,708.30	8,351.26	50,769.18	7,893.36	15,148.04	7,855.00
Miscellaneous Income	(18,297.68)	(18,297.68)	(18,297.68)	(18,297.68)	(18,297.68)	(18,297.68)	(18,297.68)	(18,297.68)	(18,297.68)
Cancellation of Prior Year Accounts Receivable									
Total Governmental Activities	5,705,310.36	5,438,838.27	5,037,731.95	4,863,217.00	4,074,464.53	3,831,867.95	3,151,798.15	2,872,870.81	2,750,975.00
Component Unit Activities:									
Miscellaneous Income	-	-	-	900,127.73	797,029.89	654,485.98	330,314.29	324,207.90	326,838.00
Total Component Unit Activities	-	-	-	900,127.73	797,029.89	654,485.98	330,314.29	324,207.90	326,838.00
Total District-wide	\$ 5,705,310.36	\$ 5,438,838.27	\$ 5,037,731.95	\$ 5,763,344.73	\$ 4,871,494.42	\$ 5,107,704.08	\$ 3,482,112.44	\$ 3,197,078.71	\$ 3,077,813.00
Change in Net Position									
Governmental Activities	\$ 76,593.91	\$ (878,347.15)	\$ (698,218.22)	\$ (27,323.28)	\$ 23,952.10	\$ (76,423.16)	\$ (1,185,360.97)	\$ (661,775.84)	\$ 92,336.00
Component Unit Activities	-	-	-	(485,748.91)	197,537.94	322,619.04	(45,037.44)	(50,976.49)	(53,602.00)
Total Charter School	\$ 76,593.91	\$ (878,347.15)	\$ (698,218.22)	\$ (513,072.19)	\$ 221,490.04	\$ 246,195.88	\$ (1,230,398.41)	\$ (612,752.33)	\$ 38,734.00

Source: Charter Schools Records

* - Beginning in fiscal year 2013 the presentation of the Charter School's component unit is blended due to the issuance of GASBS 61. Whereas in prior years it was discretely presented.

**Amounts for the year 2015 include the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68

chARTer-TECH High School for the Performing Arts, Inc.
 Fund Balances, Governmental Funds
 Last Ten Fiscal Years (modified accrual basis of accounting)
 Unaudited

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 (a)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund:										
Restricted	\$ 75,000.00									
Assigned	97,716.17	\$ 81,043.00	\$ 113,053.00							
Unassigned	1,123,224.33	1,067,374.56	676,178.65	\$ 222,977.99	\$ 183,566.86		\$ 140,406.27	\$ 5,878.51	\$ 17,758.18	
Reserved										
Unreserved										
Designated						\$ 130,480.17	46,000.00	46,000.00	46,000.00	\$ 46,000.00
Undesignated							242,574.65	386,510.08	412,192.06	264,546.00
Total General Fund	\$ 1,295,940.50	\$ 1,148,417.56	\$ 789,231.65	\$ 222,977.99	\$ 183,566.86	\$ 130,480.17	\$ 428,980.92	\$ 438,388.59	\$ 475,950.24	\$ 310,546.00

(a) Beginning for the fiscal year ended June 30, 2011, the School District began reporting fund balances under GASB 54.

Source: Charter Schools Records

chArTer-TECH High School for the Performing Arts, Inc.
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years (modified accrual basis of accounting)
 Unaudited

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Local Levy	\$ 4,960,697.00	\$ 4,848,239.00	\$ 4,266,336.00	\$ 4,183,709.00	\$ 3,514,708.00	\$ 3,344,083.00	\$ 3,255,993.00	\$ 2,264,491.00	\$ 2,336,863.00	\$ 1,506,080.00
Revenue From Other Sources	27,649.72	460.68	40,338.49	9,708.30	8,351.26	42,357.74	50,769.18	32,165.45	135,508.41	20,380.00
State Sources	716,963.64	608,436.27	731,057.46	669,799.70	551,405.27	384,484.47	525,105.77	855,141.70	400,499.00	1,189,927.00
Federal Sources	386,378.12	143,817.42	260,133.19	194,203.00	202,013.87	274,327.20	137,408.72	136,322.93	151,542.93	177,753.00
Total Revenue	6,091,688.48	5,600,953.37	5,297,865.14	5,057,420.00	4,276,478.40	4,045,252.41	3,969,276.67	3,288,121.08	3,024,413.34	2,894,140.00
Expenditures										
Instruction	2,329,313.53	1,865,752.31	1,922,196.53	1,750,553.59	1,596,363.49	1,571,504.34	1,477,713.61	1,457,911.44	1,302,043.71	1,129,709.00
Administration	1,371,607.83	1,317,948.12	1,411,731.01	1,336,508.30	1,184,470.52	1,139,485.96	1,026,724.78	925,980.45	772,938.19	745,648.00
Support Services	2,067,757.57	1,842,255.83	1,496,358.94	1,923,391.98	1,410,475.70	1,546,963.85	1,452,611.00	914,065.80	748,193.20	754,738.00
General Fund Debt										
Founder's Grant										
Capital Outlay	175,486.61	224,683.41	14,378.00	7,555.00	32,082.00	39,799.01	21,634.95	10,000.00	24,085.00	24,277.00
Total Expenditures	5,944,165.54	5,250,639.67	4,844,664.48	5,018,008.87	4,223,391.71	4,297,753.16	3,978,684.34	3,307,957.69	2,859,009.10	2,769,455.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	147,522.94	350,313.70	453,200.66	39,411.13	53,086.69	(252,500.75)	(9,407.67)	(19,836.61)	165,404.24	124,685.00
Other Financing Sources (Uses)										
Cancellation of Prior Year Accounts Payable		140,222.89								
Cancellation of Prior Year Accounts Receivable		(18,297.68)								
Capital Reserve Expenditures						(46,000.00)				
Total Financing Sources (Uses)	-	121,925.21	-	-	-	(46,000.00)	-	-	-	-
Net Change in Fund Balance:	\$ 147,522.94	\$ 472,238.91	\$ 453,200.66	\$ 39,411.13	\$ 53,086.69	\$ (298,500.75)	\$ (9,407.67)	\$ (19,836.61)	\$ 165,404.24	\$ 124,685.00
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%

Source: Charter Schools Records

chARTer-TECH High School for the Performing Arts, Inc.
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years (modified accrual basis of accounting)
 Unaudited

	2015	2014	2013	*	2012	2011	2010	2009	2008	2007	2006
Donations	\$ 1,393.75										
Refund of Overpayment	17.66		\$ 1,280.61								
Miscellaneous	12.04	\$ 460.68	3,500.00								
Fines and Fees	141.49		301.25								
Rentals	326.00										
Cancellation of Accounts Payable	18,954.00		4,697.00								
Refund of Expenditures	6,804.78		30,547.02								
	\$ 27,649.72	\$ 460.68	\$ 40,325.88	\$							

* - 2013 was the first year exhibit J-5 was required, therefore prior year information is not applicable.

Source: District Records.

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the Charter School's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the Charter School's outstanding debt and its debt capacity.

chARTer-TECH High School for the Performing Arts, Inc.
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			<u>Component Unit Activities</u>		District <u>Wide</u>	Percentage of Personal <u>Income (1)</u>	<u>Per Capita (1)</u>
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>		<u>Loans Payable</u>				
2015	\$	140,361.45	\$	2,792,784.00	\$	2,933,145.45	N/A	N/A
2014		221,551.59		2,900,048.52		3,121,600.11	N/A	N/A
2013				3,006,011.71		3,006,011.71	N/A	N/A
2012				3,160,248.37		3,160,248.37	N/A	N/A
2011				3,254,892.99		3,254,892.99	N/A	N/A
2010				3,590,644.64		3,590,644.64	N/A	N/A
2009				3,903,784.30		3,903,784.30	N/A	N/A
2008				3,214,056.04		3,214,056.04	N/A	N/A
2007			3,509.00	3,292,422.96		3,295,931.96	N/A	N/A
2006			27,594.00	3,365,652.13		3,393,246.13	N/A	N/A

Note: Details regarding the charter school's outstanding debt can be found in the notes to the financial statements.

(1) Since the Charter School has enrollment from several different school districts, percentage of personal income and per capita information is not presented as it would not be meaningful.

Source: Notes to the Financial Statements

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the Charter School operates and (2) to provide information that facilitates comparisons of financial statement information over time and among Charter Schools. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the Charter School operates.

chARTer-TECH High School for the Performing Arts, Inc.
 Demographic and Economic Statistics (1)
 Last Ten Fiscal Years
 Unaudited

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				

Source:

(1) Since the Charter School had enrollment from several different school districts, this data is not presented as it would not be meaningful.

chARTer-TECH High School for the Performing Arts, Inc.
Principal Employers
Current Year and Nine Years Ago
Unaudited

<u>Employer</u>	<u>2015</u>			<u>2006 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of</u>
Somers Related Point, LLC	1,828		37.56%	N/A	N/A	N/A
Shore Memorial Health Foundation, Inc.	1,600		32.87%	N/A	N/A	N/A
Shore Memorial Hospital	1,450		29.79%	N/A	N/A	N/A
Acme Markets, Inc.	254		5.22%	N/A	N/A	N/A
Shop-Rite Supermarkets, Inc.	200		4.11%	N/A	N/A	N/A
Alterra Group, Inc.	105		2.16%	N/A	N/A	N/A
Plantation Bay Resort & Country Club, Inc.	100		2.05%	N/A	N/A	N/A
Diaz Pastrana Dental Associates, Inc.	85		1.75%	N/A	N/A	N/A
Home Infusion Solutions, LLC	73		1.50%	N/A	N/A	N/A
STCEFox Enterprises Inc.	60		1.23%	N/A	N/A	N/A
	<u>5,755</u>		<u>118.25%</u>	<u>-</u>		<u>0</u>

Source : D&B Regional Business Directory published by Dun & Bradstreet, Inc.

(1) Data was not available.

Operating Information

Operating information is intended to provide contextual information about the Charter School's operations and resources to assist readers in using financial statement information to understand and assess the Charter School's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the Charter School's operations.

chARTer-TECH High School for the Performing Arts, Inc.
 Full-time Equivalent Charter School Employees by Function/Program
 Last Ten Fiscal Years
 Unaudited

<u>Function/Program</u>	Fiscal Year Ended June 30,									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Instruction	37	30	30	29	27	27	26	24	24	24
Administration	4	4	4	4	4	4	3	3	2.5	3
Support Services	8	6	15	15	12	12	11	5	5	5
Total	49	40	49	48	43	43	40	32	31.5	32

Source: Charter School Personnel Records

chARTer-TECH High School for the Performing Arts, Inc.
 Operating Statistics
 Last Ten Fiscal Years
 Unaudited

<u>Fiscal Year</u>	<u>Enrollment (1)</u>	<u>Operating Expenditures (2)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (3)</u>	<u>Pupil/Teacher Ratio High School (9-12)</u>	<u>Average Daily Enrollment (ADE) (4)</u>	<u>Average Daily Attendance (ADA) (4)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2015	327	\$ 5,768,678.93	\$ 17,641.22	15.13%	37	1:09	329,056	297,683	-0.02%	90.47%
2014	328	5,025,956.26	15,323.04	0.88%	30	1:18	329.12	301.56	6.71%	91.63%
2013	318	4,830,286.48	15,189.58	-0.87%	30	1:18	308,433	282,789	-0.28%	91.69%
2012	327	5,010,453.87	15,322.49	4.92%	29	1:10	309.31	281.22	11.60%	90.92%
2011	287	4,191,309.71	14,603.87	-8.77%	27	1:10	277.17	254.53	6.05%	91.83%
2010	266	4,257,954.15	16,007.35	10.44%	27	1:10	261.37	237.68	0.68%	90.94%
2009	273	3,957,049.39	14,494.69	10.86%	26	1:09	259.6	235.9	6.44%	90.87%
2008	253	3,307,957.69	13,074.93	28.29%	24	2:24	243.9	225.8	-2.91%	92.58%
2007	277	2,823,175.10	10,191.97	8.50%	24	1:10	251.2	232.7	12.65%	92.64%
2006	280	2,630,095.00	9,393.20	#DIV/0!	24	1:10	223	223	#DIV/0!	100.00%

Sources: District records and enrollment counts.

(1) Enrollment amount is from the end of the school year.

(2) Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4

(3) Teaching staff includes only full-time equivalents of certificated staff.

(4) Average daily enrollment and average daily attendance are obtained from the Charter School Registers

chARTer-TECH High School for the Performing Arts, Inc.
 School Building Information
 Last Ten Fiscal Years
 Unaudited

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
District Building										
High School										
chARTer-Tech High School for the Performing Arts (2003)	44,014	35,014	35,014	35,014	34,556	33,000	33,000	33,000	33,000	33,000
Square Feet	400	400	400	400	400	300	300	300	300	300
Capacity (students)	327	328	307	327	275	259	245	253	277	280
Enrollment										

Number of Schools at June 30, 2014
 High School = 1

Source: District records

Note: Fiscal year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions (if any). Enrollment is based as of the end of the fiscal year.

chARTer-TECH High School for the Performing Arts, Inc.
Insurance Schedule
June 30, 2015
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Worker's Compensation & Employers Liability		
Each Accident Limit	\$ 1,000,000.00	
Disease Policy Limit	1,000,000.00	
Disease Each Employee	1,000,000.00	
Commercial Property Policy		
Blanket - Building	5,411,356.00	\$ 5,000.00
Equipment Breakdown	Included	5,000.00
Blanket - Business Personal Property	1,104,739.00	5,000.00
Electronic Data Processing Equipment	898,315.00	5,000.00
Extra Expense	500,000.00	
Tuition Coverage	4,000,000.00	
Employment Practices Liability	Included	
General Liability		
Each Occurrence	1,000,000.00	
General Aggregate	2,000,000.00	
Medical Payments	5,000.00	
Personal & Advertising Injury	1,000,000.00	
Fire Damage	100,000.00	
Products/Completed Ops Aggregate	2,000,000.00	
Employee Benefits	1,000,000.00	1,000.00
Incidental Professional Medical Malpractice	1,000,000.00	
School Board Legal Liability	1,000,000.00	2,500.00
Damage to Rented Premises	300,000.00	
Abuse & Molesation Coverage		
Each Offense	1,000,000.00	
General Aggregate	1,000,000.00	
Business Auto Policy		
Combined Single Limit	1,000,000.00	
Uninsured motorist combined single limit	1,000,000.00	
Underinsured motorist combined single limit	1,000,000.00	
PIP-Basic	1,000,000.00	250.00
Collison		1,000.00
Comprehensive		1,000.00
Umbrella Policy		
Liability	1,000,000.00	5,000.00
Crime:		
Public Official Bonds:		
Board Secretary/ Business Administrator	140,000.00	
Assistant Board Secretary		Not Covered
Board Treasurer		Not Covered
Computer Fraud	100,000.00	500.00
Employee Theft - Blanket	125,000.00	500.00
Forgery or Alteration	150,000.00	500.00

Charter School Performance Framework - Financial Indicators

The New Jersey Department of Education (NJDOE) developed the comprehensive Performance Framework to ensure that each and every NJ charter school is serving students with a high-quality public education. The Performance Framework – Financial Indicators set the fiscal standards by which all NJ public charter schools will be evaluated, informing both NJDOE and individual school officials about school performance and sustainability. By utilizing the Performance Framework throughout the charter school's life cycle, NJDOE officials will expand the rigorous standards and metrics by which each and every public charter school is evaluated. Please refer to the following exhibit for the Charter School's Performance Framework Financial Indicators.

CHARTER-TECH HIGH SCHOOL FOR THE PERFORMING ARTS

Charter School Performance Framework
Financial Indicators - Fiscal Ratios
Unaudited

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	\$ 758,979.76	\$ 1,404,401.59	\$ 1,256,350.33	Audit: Exhibit A-1
Current Assets	1,095,479.79	1,511,730.41	1,620,960.91	Audit: Exhibit A-1
Total Assets	4,696,875.36	5,312,941.47	5,244,788.05	Audit: Exhibit A-1
Current Liabilities	142,452.49	286,269.78	337,002.57	Audit: Exhibit A-1
Total Liabilities	3,148,464.20	3,371,406.35	4,090,679.02	Audit: Exhibit A-1
Net Position	1,548,411.16	1,941,535.12	985,597.03	Audit: Exhibit A-1
Total Revenue	5,037,731.95	5,438,838.27	5,705,310.36	Audit: Exhibit A-2
Total Expenses	4,642,654.65	5,045,714.31	5,628,716.45	Audit: Exhibit A-2
Change in Net Position	395,077.30	393,123.96	76,593.91	Audit: Exhibit A-2
Depreciation Expense	198,929.09	216,472.51	221,826.72	Financial Statements/Audit Workpapers
Interest Expense	147,073.66	130,264.07	121,311.67	Financial Statements/Audit Workpapers
Principal Payments	412,502.47	144,508.14	151,991.12	Financial Statements/Audit Workpapers
Interest Payments	147,073.66	130,264.07	121,311.67	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	308.43	329.40	327.50	DOE Enrollment Reports
March 30th Budgeted Enrollment	307	357	330	Charter School Budget
RATIOS ANALYSIS...				
	2013	2014	2015	3 YR CUM
Near Term Indicators				
1a. Current Ratio	7.69	5.28	4.81	5.93
1b. Unrestricted Days Cash	59.67	101.59	81.47	80.91
1c. Enrollment Variance	100.47%	92.27%	99.24%	97.33%
1d.* Default	No	No	No	No
Sustainability Indicators				
2a. Total Margin	7.84%	7.23%	1.34%	5.47%
2b. Debt to Asset	0.67	0.63	0.78	0.69
2c.** Cash Flow	419,820.79	645,421.83	(148,051.26)	305,730.45
2d. Debt Service Coverage Ratio	1.1	2.2	1.1	1.5
* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? No. ** 2014 =2014 Cash - 2013 Cash; 2013 =2013 Cash-2012 Cash; 2012 =2012 Cash-2011 Cash				

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
chARTer~TECH High School for the Performing Arts, Inc.
Somers Point, New Jersey 08244

Report on Compliance for Each Major Federal and State Program

We have audited the chARTer~TECH High School for the Performing Arts, Inc.'s, County of Atlantic, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2015. The Charter School's major state programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133, and State of New Jersey Circular 15-08-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the chARTer~TECH High School for the Performing Arts, Inc.'s, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the chARTer~TECH High School for the Performing Arts, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the chARTer~TECH High School for the Performing Arts, Inc., County of Atlantic, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Scott P. Barron
Certified Public Accountant
Public School Accountant No. CS 02459

Voorhees, New Jersey
December 16, 2015

chARTer-TECH High School for the Performing Arts, Inc.
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2015

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
Special Revenue Fund:					
U.S. Department of Education					
Passed-through State Department of Education:					
N.C.L.B.					
Title I, Part A	84.010A	NCLB080013	\$ 106,033.00	9/1/12	8/31/13
Title I, Part A	84.010A	NCLB080014	128,328.00	7/1/13	6/30/14
Title I, Part A	84.010A	NCLB080015	266,511.00	7/1/14	6/30/15
Total Title I, Part A					
Title II Part A, Improving Teacher Quality	84.367A	NCLB080014	3,854.00	7/1/13	6/30/14
Title II Part A, Improving Teacher Quality	84.367A	NCLB080015	7,816.00	7/1/14	6/30/15
Total Title II Part A, Improving Teacher Quality					
I.D.E.A. Part B:					
Special Education Cluster:					
Basic	84.027	FT088013	81,556.00	9/1/12	8/31/13
Basic	84.027	FT088014	74,580.00	7/1/13	6/30/14
Basic	84.027	FT088015	81,516.00	7/1/14	6/30/15
Total I.D.E.A. Part B Special Education Cluster					
Carl D. Perkins Vocational and Technical Education Act					
	84.048	PERK741014	35,257.00	7/1/13	6/30/14
Carl D. Perkins Vocational and Technical Education Act	84.048	PERK741015	37,882.00	7/1/14	6/30/15
Total Carl D. Perkins Vocational and Technical Education Act					
Total Federal Financial Assistance					

The accompanying Notes to the Financial Statements and Notes to the Schedules of Federal Awards and State Financial Assistance are an integral part of this schedule.

These funds were not audited in accordance with U.S. OMB Circular A-133 since the total of all grant award expenditures were less than \$500,000.

Balance June 30, 2014	Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2015		
						(Accounts Receivable)	Unearned Revenue	Due to Grantor at June 30, 2015
\$ 4.83 (23,687.12)	\$ (4.83) 4.83	\$ 23,687.12 151,257.88	\$ (247,565.90)			\$ (96,303.19)		
(23,682.29)		174,945.00	(247,565.90)			(96,303.19)		
193.00	(193.00) 193.00	7,430.00	(7,816.00)			(193.00)		
193.00		7,430.00	(7,816.00)			(193.00)		
3,388.44 (74,098.30)	(3,388.44) 3,388.44	74,098.30 53,441.70	(84,904.44)			(28,074.30)		
(70,709.86)		127,540.00	(84,904.44)			(28,074.30)		
8,209.78	(8,209.78) 8,209.78	25,753.00	(46,091.78)			(12,129.00)		
8,209.78		25,753.00	(46,091.78)			(12,129.00)		
<u>\$ (85,989.37)</u>	<u>\$ -</u>	<u>\$ 335,668.00</u>	<u>\$ (386,378.12)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136,699.49)</u>	<u>\$ -</u>	<u>\$ -</u>

chARTer-TECH High School for the Performing Arts, Inc.
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2015

<u>State Grantor/ Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance June 30, 2014</u>	<u>Carryover / (Walkover) Amount</u>
			<u>From</u>	<u>To</u>		
General Fund:						
New Jersey Department of Education:						
Current Expense:						
State Aid - Public Cluster:						
School Choice/ Charter School Aid	12-495-034-5120-068	\$ 152,074.00	7/1/11	6/30/12	\$ 4,422.00	
School Choice/ Charter School Aid	13-495-034-5120-068	121,328.00	7/1/12	6/30/13	4.00	
District Local Levy/ Equalization Aid (State and Local Share)	14-495-034-5120-078	4,848,239.00	7/1/13	6/30/14	42,118.41	
District Local Levy/ Equalization Aid (State and Local Share)	15-495-034-5120-078	4,960,697.00	7/1/14	6/30/15		
Categorical Security Aid	13-495-034-5120-084	65,482.00	7/1/12	6/30/13	(43.00)	
Categorical Security Aid	14-495-034-5120-084	79,158.00	7/1/13	6/30/14	(668.00)	
Categorical Security Aid	15-495-034-5120-084	81,282.00	7/1/14	6/30/15		
Categorical Special Education Aid	14-495-034-5120-089	176,190.00	7/1/13	6/30/14	(3,633.00)	
Categorical Special Education Aid	15-495-034-5120-089	194,077.00	7/1/14	6/30/15		
Total State Aid - Public Cluster					<u>42,200.41</u>	
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	160,263.32	7/1/13	6/30/14	(7,826.59)	
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	178,232.64	7/1/14	6/30/15		
Total Reimbursed TPAF Social Security Contributions					<u>(7,826.59)</u>	
Total General Fund					<u>34,373.82</u>	
Total State Financial Assistance subject to Major Program Determination for State Single Audit					<u>34,373.82</u>	
State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:						
General Fund (Non-Cash Assistance):						
New Jersey Department of the Treasury:						
On-behalf T.P.A.F. Pension Contributions - Normal Cost	495-034-5094-006/007	101,787.00	7/1/14	6/30/15		
On-behalf T.P.A.F. Pension Contributions - Post-Retirement Medical	495-034-5094-001	161,585.00	7/1/14	6/30/15		
Total General Fund (Non-Cash Assistance)						
Total State Financial Assistance					<u>\$ 34,373.82</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements and Notes to the Schedules of Federal Awards and State Financial Assistance are an integral part of this schedule.

(a) Amounts represent Intergovernmental Accounts Receivable or Payable to/ from the enrolled students' District of Residence.

Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2015			Memo	
				(Accounts Receivable)	Unearned Revenue	Due to Grantor at June 30, 2015	Budgetary Receivable June 30, 2015	Cumulative Total Expenditures
						\$ 4,422.00		\$ 152,074.00
						4.00		121,328.00
			\$ (30,523.00)			11,595.41		4,848,239.00
\$ 5,216,795.33	\$ (4,960,697.00)					256,098.33		4,960,697.00
43.00								65,482.00
661.00				\$ (7.00)			\$ (7.00)	79,158.00
80,569.00	(81,282.00)			(713.00)			(713.00)	81,282.00
3,633.00								176,190.00
189,809.00	(194,077.00)			(4,268.00)			(4,268.00)	194,077.00
<u>5,491,510.33</u>	<u>(5,236,056.00)</u>		<u>(30,523.00)</u>	<u>(4,988.00) (a)</u>		<u>272,119.74 (a)</u>	<u>(4,988.00)</u>	<u>10,678,527.00</u>
7,826.59								160,263.32
169,412.53	(178,232.64)			(8,820.11)			(8,820.11)	178,232.64
<u>177,239.12</u>	<u>(178,232.64)</u>			<u>(8,820.11)</u>			<u>(8,820.11)</u>	<u>338,495.96</u>
5,668,749.45	(5,414,288.64)		(30,523.00)	(13,808.11)		272,119.74	(13,808.11)	11,017,022.96
<u>5,668,749.45</u>	<u>(5,414,288.64)</u>		<u>(30,523.00)</u>	<u>(13,808.11)</u>		<u>272,119.74</u>	<u>(13,808.11)</u>	<u>11,017,022.96</u>
101,787.00	(101,787.00)							73,050.00
161,585.00	(161,585.00)							119,775.00
<u>263,372.00</u>	<u>(263,372.00)</u>							<u>192,825.00</u>
<u>\$ 5,932,121.45</u>	<u>\$ (5,677,660.64)</u>	<u>\$ -</u>	<u>\$ (30,523.00)</u>	<u>\$ (13,808.11)</u>	<u>\$ -</u>	<u>\$ 272,119.74</u>	<u>\$ (13,808.11)</u>	<u>\$ 11,209,847.96</u>

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS, INC.
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2015

Note 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the chARTer~TECH High School for the Performing Arts, Inc. (hereafter referred to as the "Charter School"). The Charter School is defined in note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting. These bases of accounting are described in note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

There was no adjustment needed to reconcile expenditures from the budgetary basis to the GAAP basis. See exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Awards and financial assistance expenditures reported in the Charter School's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General		\$ 5,677,660.64	\$ 5,677,660.64
Special Revenue	\$ 386,378.12	_____	_____
			386,378.12
Total Awards and Financial Assistance	<u>\$ 386,378.12</u>	<u>\$ 5,677,660.64</u>	<u>\$ 6,064,038.76</u>

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 5: REIMBURSED AND ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2015, the Charter School was the recipient of federal and state assistance that represented either a reimbursement to the Charter School or payments made on-behalf of the Charter School. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year. Lastly, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF members.

Note 6: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified
Internal control over financial reporting:
Material weakness(es) identified? ___ yes ___ X no
Significant deficiency(ies) identified? ___ yes ___ X none reported
Noncompliance material to financial statements noted? ___ yes ___ X no

Federal Awards Not Applicable

Internal control over major programs:
Material weakness(es) identified? ___ yes ___ no
Significant deficiency(ies) identified? ___ yes ___ none reported
Type of auditor's report issued on compliance for major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ yes ___ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

Blank lines for CFDA Number(s) and Name of Federal Program or Cluster.

Dollar threshold used to determine Type A programs \$

Auditee qualified as low-risk auditee? ___ yes ___ no

CHARTER-TECH HIGH SCHOOL FOR THE PERFORMING ARTS

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2015

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or New Jersey Circular 15-08-OMB? yes X no

Identification of major programs:

GMIS Number(s)

Name of State Program

State Aid Public: _____

495-034-5120-078 _____

Equalization Aid _____

495-034-5120-089 _____

Special Education Categorical Aid _____

495-034-5120-084 _____

Security Aid _____

Dollar threshold used to determine Type A programs \$ 300,000.00

Auditee qualified as low-risk auditee? yes X no

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2015

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding No. 2015-001

Criteria or Specific Requirement

N.J.S.A. 18A:17-26 requires the School Board Administrator to have a faithful performance bond with a required coverage of not less than \$2,000.00. N.J.S.A. 18A:17-32 requires that the Treasurer of School Monies have a faithful performance bond in the amount required as per N.J.A.C. 6A:23A-16.4.

Condition:

The Charter School did not have surety bond coverage for the School Board Administrator and Treasurer of School Monies as required by N.J.S.A. 18A:17-26 & 32 and N.J.A.C. 6A:23A-16.4.

Context

Neither the School Business Administrator nor the Treasurer of School Monies had surety bond coverage for the fiscal year 2015.

Effect

Noncompliance with N.J.S.A. 18A:17-26 and N.J.A.C. 6A:23A-16.4.

Cause

Oversight in obtaining the required surety coverage.

Recommendation

The School Business Administrator and Treasurer of School Monies obtain the proper surety bond coverage pursuant N.J.S.A. 18A:17-26 & 32 and N.J.A.C. 6A:23A-16.4.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2015

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

Not applicable.

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2015

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 15-08-OMB.

None.

CHARTER~TECH HIGH SCHOOL FOR THE PERFORMING ARTS
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2014-001

Condition

Our audit of enrollment disclosed the following conditions:

1. There were several students on-roll at the Charter School that were not reported on either the October 15th or the year end reports to the Department of Education.
2. There were several students where the number of days on-roll reported were substantially overstated.
3. There were a few students where the number of days on-roll reported were either overstated or understated by one day.
4. There were several students reported to the State as low income and the documentation on file at the Charter School did not support the low income status.

Current Status

Condition resolved.

