

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**SCHOMBURG
CHARTER SCHOOL**

JUNE 30, 2008



**Proud and Strong
Soaring to Greater Heights**

PREPARED BY

SCHOMBURG CHARTER SCHOOL

SCHOMBURG CHARTER SCHOOL

TABLE OF CONTENTS

PAGE NO.

INTRODUCTORY SECTION

Letter of Transmittal 1-10
Organizational Chart.....11
Roster of Officials.....12
Consultants and Advisors13

FINANCIAL SECTION

Independent Auditor’s Report..... 14-15

Required Supplementary Information – Part I

Management’s Discussion and Analysis 16-24

BASIC FINANCIAL STATEMENTS

A. Charter School Wide Financial Statements

A-1 Statement of Net Assets25
A-2 Statement of Activities26

B. Fund Financial Statements

Governmental Funds:

B-1 Balance Sheet.....27
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance.....28
B-3 Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of governmental Funds to the
Statement of Activities.....29

Proprietary Funds:

B-4 Statement of Net Assets30
B-5 Statement of Revenues, Expenditures and changes in Fund Net Assets31
B-6 Statement of Cash Flows32

SCHOMBURG CHARTER SCHOOL

TABLE OF CONTENTS

PAGE NO.

Fiduciary Funds:

B-7 Statement of Fiduciary Net Assets.....33

B-8 Statement of Changes in fiduciary Net Assets.....34

Notes to the Financial Statements 35-52

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules

C-1 Budgetary Comparison Schedule – General Fund..... 53-54

C-2 Budgetary Comparison Schedule – Special Revenue Fund.....55

C-3 Budget-to-GAAP Reconciliation.....56

Other Supplementary Information

D. School Level Schedules

D-1 Combining Balance Sheet.....N/A

D-2 Blended Resources Fund – Schedule of Expenditures

Allocated by Resource type – Actual.....N/A

D-3 Blended Resource Fund – Schedule of Blended

Expenditures – Budget and ActualN/A

E. Special Revenue Fund

E-1 Combining Schedule of Revenues and Expenditures

Special Revenue Fund – Budgetary Basis57

SCHOMBURG CHARTER SCHOOL

TABLE OF CONTENTS

PAGE NO.

F. Capital Projects Fund

F-1 Summary Schedule of Project ExpendituresN/A

G. Proprietary Funds

Enterprise Fund:

G-1 Statement of Net Assets.....58

G-2 Statement of Revenues, Expenses and Changes in Fund Net Assets59

G-3 Statement of Cash Flows60

Internal Service Fund:

G-4 Statement of Net Assets..... N/A

G-5 Statement of Revenues, Expenses and Changes in Fund Net Assets N/A

G-6 Statement of Cash Flows N/A

H. Fiduciary Funds

H-1 Statement of Fiduciary Net Assets61

H-2 Statement of Changes in Fiduciary Net Assets.....62

H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements63

H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....64

I. Long-Term Debt

I-1 Schedule of Serial Bonds65

1-2 Schedule of Obligations under Capital Leases N/A

1-3 Debt Service Fund Budgetary Comparison Schedule N/A

SCHOMBURG CHARTER SCHOOL

TABLE OF CONTENTS

PAGE NO.

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1 Net Assets by Component 66
J-2 Changes in Net Assets..... 67-68
J-3 Fund Balances – Governmental Funds 69
J-4 Changes in Fund Balances – Governmental Funds 70

Revenue Capacity

J-5 – J8 N/A

Debt Capacity

J-9 Ratios of Outstanding Debt by Type..... 71
J-10–J13 N/A

Demographic and Economic Information

J-14 Demographic and Economic Statistics 72
J-15 Principal Employers 73

Operating Information

J-16 Full-time Equivalent Charter School employees by Function/Program 74
J-17 Operating Statistics 75
J-18 School Building Information 76
J-19 Schedule of Allowable Maintenance Expenditures 77
J-20 Insurance Schedule 78

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 79-80

K-2 Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 81-83

SCHOMBURG CHARTER SCHOOL

TABLE OF CONTENTS

	<u>PAGE NO.</u>
K-3 Schedule of Expenditures of Federal Awards, Schedule A	84
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B.....	85
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.....	86-87
K-6 Schedule of Findings and Questioned Costs.....	88-91
K-7 Summary Schedule of Prior Year Audit Findings	92-95

INTRODUCTORY SECTION



"Proud and Strong ~ Soaring to Greater Heights"

October 27, 2008

Commissioner
New Jersey Department of
Education 100 Riverview
Executive Plaza CN - 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Schomburg Charter School (the "Charter School") for the fiscal year ended June 30, 2008. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. 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 fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials. The financial section includes the Management's Discussion and Analysis, the basic financial statements, required supplementary information and other supplementary information, as well as the auditor's report thereon. The statistical section includes unaudited fiscal years data. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the New Jersey OMB Circular Letter 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 internal control 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:

The Charter School is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

**New Jersey Department of Education
Commissioner**

The Charter School is making progress in preparing a diverse cross section of Jersey City children in Grades Kindergarten through Five, to make progress toward acquiring the knowledge and skills needed to graduate from high school and to function politically, economically, and socially in a democratic society by providing them with a comprehensive, technology-rich curriculum in a supportive and challenging environment. We provide an approximate seven-hour school day for Grades Kindergarten through Grade Five. This includes regular student and special education enrollment. We have accepted special education and handicapped children by law if application is made to Charter School as required by law. The Charter School completed the 2007-2008 fiscal year with an average daily enrollment of 301 students, which is 14 students lower than the previous year's enrollment. The following details the changes in student enrollment of the school over the last four years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2007-2008	301	(5.40%)
2006-2007	318	(23.30%)
2005-2006	415	(10.17%)
2004-2005	462	(1.91%)
2003-2004	471	18.04%
2002-2003	399	(8.70%)
2001-2002	437	6.07%

2) ECONOMIC CONDITION AND OUTLOOK:

The Charter School area has been experiencing a period of housing and economic development, which is expected to continue. The Charter School provides educational services to urban families in the southeastern part of Jersey City. The maximum projected enrollment of 500 students was not met in 2008. We will continue to explore and implement strategies to meet our maximum enrollment projection, as well as sustain the school register throughout the year. We have increased parent involvement and will improve our student recruitment efforts.

Major Initiatives and Progress:

The Charter School has used proven researched-based instructional programs including: *Direct Instruction* reading program, the complete *McGraw-Hill Mathematics* program, and the *Houghton-Mifflin Science and Social Studies* programs. We have implemented a technology program, which included a cluster of four computers in every classroom, a 30-station computer lab, closed-circuit television and infusion of Technology into instruction through project-based learning.

**New Jersey Department of Education
Commissioner**

We provided extensive professional development to enable our teachers to increase their effectiveness as instructors to prepare students to achieve high standards in core knowledge across the curriculum. This professional development includes a 5-day pre-service session during the summer and monthly professional development sessions during the school year. Whenever there are outside professional development opportunities during the regular school day, our teachers are encouraged to attend.

We provided parents with regular, understandable feedback regarding the school's instructional goals and programs, and information about their children's progress in meeting these goals via quarterly conferences between parent, student and the student's teacher and a Quarterly Learning Contract that reports on all subject progress and learning. Our academic program emphasized the use of cooperative learning, hands-on learning and projects-based learning. Character education via the emphasis on eight core values was implemented.

3) SUMMARY OF STUDENT PERFORMANCE RESULTS

Review of State and Local Assessment Activities and Student Achievement Results in the Context of the School's Goals and Required NCLB Adequate Yearly Progress

Academic Goals and Objectives: Analysis of State Assessment Results

State Assessment Results.

The NJ ASK 3 and 4 results provide the most reliable measure of students' overall abilities, strengths, and weaknesses in basic skills, higher-order reasoning abilities, and progress toward mastery of the knowledge and skills mandated in NJCCCS. In this year's report we are reporting on the results of the last four administrations of the New Jersey Assessment of Skills and Knowledge. This data is used to assess student progress toward meeting the school's Annual Milestone Goals in mathematics and language arts literacy.

TABLE 1-A: NJ ASK, Grade 3

Mathematics Performance 2005-2008

PROFICIENCY LEVEL	2005	2006	2007	2008
Number of Students Tested	70	77	53	56
Advanced Proficient %	10.0	6.5	2.0	1.8
Proficient %	48.6	49.4	42.0	25.0
Partially Proficient %	41.4	44.2	56.0	73.2
Total proficiency %	58.6	55.9	44.0	26.8
Mean Scale Score	208.8	203.8	197.9	184.5

**New Jersey Department of Education
Commissioner**

In previous years, Analysis of the cluster score data from the three previous NJ ASK scores revealed that 3rd graders were deficient in geometry and measurement, patterns and Algebra, and data analysis. Strategies were put into place to address the deficiencies during the 2007-2008 school year, administration departmentalized mathematics and language arts. The 2008 test results indicate that those adjustments were not effective in sustaining or improving the achievement gains that were made during previous administrations. The test scores proficiency level decline from 2007 to 2008 by 17%. Data show that the strategies for 2007 needs to be re-viewed and be reconstructed for improving of student achievement.

TABLE 1-B: NJ ASK, Grade 3

Language Arts Literacy Performance 2004-2007

PROFICIENCY LEVEL	2005	2006	2007	2008
Number of Students Tested	70	77	53	55
Advanced Proficient %	1.4	0.0	0.0	1.8
Proficient %	60.0	42.9	40.0	43.6
Partially Proficient %	38.6	57.1	60.0	54.6
Total proficiency %	61.4	42.9	40.0	45.4
Mean Scale Score	205.5	194.6	188.9	193.1

Given what appeared to be an upward trend in the performance data for 3rd grade Language Arts Literacy and Mathematics reported during the two previous administrations, the results of the 2007 and 2008 testing were unexpected and disappointing. These results will continue for us to take a closer look at the content, delivery, and pacing of the current 3rd grade reading, writing, and math programs to ensure optimal and timely coverage of tested outcomes. The results from this year's testing also suggest that the move to a departmental structure in grades 3 and 4 had poor results: 3rd graders and 4th graders achievement decline, whereas 3rd and 4th graders mathematics shows no gain in student achievement compared to year 2007. The research that suggests that 8 years olds may not be developmentally ready for "switching classes or teachers" appears to be correct, at least for this group of third graders. The plan for 2008-2009 is to monitor the implementation of instructions to students and gain an early strategy on improving implementation of the curriculum and also the pacing of state standard along with curriculum in a timely manner for student achievement.

**New Jersey Department of Education
Commissioner**

TABLE 1-C: NJ ASK, Grade 4

Mathematics Performance 2005-2008

PROFICIENCY LEVEL	2005	2006	2007	2008
Number of Students Tested	70	77	53	42
Advanced Proficient %	15.7	4.3	7.5	11.9
Proficient %	45.9	27.5	52.8	40.5
Partially Proficient %	38.4	68.1	39.6	47.6
Total proficiency %	61.6	31.8	60.3	42.4
Mean Scale Score	210.5	190.5	206.0	203.6

TABLE 1-D: NJ ASK, Grade 4

Language Arts Literacy Performance 2005-2008

PROFICIENCY LEVEL	2005	2006	2007	2008
Number of Students Tested	70	77	53	42
Advanced Proficient %	2.1	1.5	3.8	0
Proficient %	63.7	35.3	45.3	47.6
Partially Proficient %	34.2	63.2	50.9	52.4
Total proficiency %	65.8	36.8	49.1	47.6
Mean Scale Score	207.6	193.6	193.2	193.6

The trend shows a decline in 4th grade student performance in all tested areas from 2005 to 2006, year 2007 show a proficient increase in mathematics and language arts. In year 2008 the trend in mathematics decline and language arts increased. The two basic changes recommended by the curriculum committee in year 2007 were implemented. First, the scope and sequence of curriculum content and the pacing of instruction were adjusted to ensure that students would receive adequate prior exposure to tested outcomes. Second, the schedule was departmentalized to ensure that teachers were able to allocate sufficient time (90 minutes/day/subject) to address priority instructional goals in reading, language arts, math, and science. Data show that implementation of strategies in mathematics was not successful in improving or sustaining student achievement. However, for language data show improvement.

New Jersey Department of Education
Commissioner

**TABLE 1-E: NJ ASK, Grade 4
Science Performance 2005-2008**

PROFICIENCY LEVEL	2005	2006	2007	2008
Number of Students Tested	70	77	53	55
Advanced Proficient %	12.1	2.9	5.9	4.8
Proficient %	54.7	29.0	43.1	54.8
Partially Proficient %	33.2	68.1	51.0	51.0
Total proficiency %	66.8	31.9	49.0	59.6
Mean Scale Score	212.2	192.2	200.3	201.6

Against the backdrop of performance results which are just beginning to show signs of measurable gains in student achievement, the disaggregated data provides some interesting insights into the achievement potential of Schomburg students. Despite the fact that students identified as “non-economically disadvantaged” scored higher than any other subgroup on the 2005 and 2006 NJ ASK, the only sub-group that met their AYP in reading and math was the “economically disadvantaged.” This finding, which is supported by the latest research on the impact of poverty on the achievement of inner city children, is incontrovertible evidence that Schomburg students CAN overcome the mitigating circumstances which put them at risk of academic failure.

**Table 1-K: NCLB/AYP Target Proficiencies based on 2005-2008 NJ ASK Results
For Language Arts Literacy and Mathematics**

CORE CONTENT AREA	YEAR	GRADE LEVEL	SCHOOL AYP GOAL	% PROFICIENT/ON NJ-ASK	AYP MET	% PROFICIENT/STATE GOAL	AYP MET
Language Arts	2005	3	44.5 %	61.4	YES	75	NO
Language Arts	2005	4	44.5 %	45.7	YES	75	NO
Language Arts	2006	3	44.5 %	42.9	NO	75	NO
Language Arts	2006	4	44.5 %	36.8	NO	75	NO
Language Arts	2007	3	44.5 %	40.0	NO	75	NO
Language Arts	2007	4	44.5 %	49.1	YES	75	NO
Language Arts	2008	3		45.4	YES	75	NO
Language Arts	2008	4		47.6	YES	75	NO

**New Jersey Department of Education
Commissioner**

Mathematics	2005	3	18.2 %	58.6	YES	62	NO
Mathematics	2005	4	18.2 %	38.2	YES	62	NO
Mathematics	2006	3	18.2 %	55.9	YES	62	NO
Mathematics	2006	4	18.2 %	31.8	YES	62	NO
Mathematics	2007	3	18.2 %	44.0	YES	62	NO
Mathematics	2007	4	18.2 %	60.3	YES	62	NO
Mathematics	2008	3		26.8	YES	62	NO
Mathematics	2008	4		52.4	YES	62	NO

Both 3rd and 4th graders met the AYP school goal for Language Arts Literacy in 2005. In 2006, neither group met the AYP goal in Language Arts Literacy. In 2007, only 4th graders met the AYP school goal in language arts. Both groups met the AYP school goal in Mathematics in 2005, 2006, 2007 and 2008. In terms of meeting their AYP school goals, 4th graders have made the most consistent achievement gains in language arts. In terms of meeting the state AYP goal of 75% in Language Arts Literacy, Schomburg 3rd and 4th graders are running an average of 30 percentage points below the target goal. Schomburg students are fairing much better in Mathematics, with 3rd and 4th graders running an average of 14 percentage points below the state AYP goal of 62%.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

**New Jersey Department of Education
Commissioner**

5) BUDGETARY CONTROLS:

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

6) ACCOUNTING SYSTEM AND REPORT:

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

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue for the fiscal years ended June 30, 2008 and 2007.

<u>Revenue</u>	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Local Sources	\$ 792,665	\$ 768,359	\$ 24,306	3.16%
State Sources	2,099,623	2,514,021	(414,398)	-16.48%
Federal Sources	345,295	622,208	(276,913)	-44.50%
Total	<u>\$ 3,237,583</u>	<u>\$ 3,904,588</u>	<u>\$ (667,005)</u>	

The significant decrease in local and state revenue sources was due to 23% decrease in our enrollment. The Board of Trustees is planning to reverse this in the ensuing year.

**New Jersey Department of Education
Commissioner**

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END: - CONTINUED

The following schedule presents a summary of general fund, special revenue expenditures for the fiscal year ended June 30, 2008 and 2007:

<u>Expenditures</u>	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Instruction	\$ 1,094,762	\$ 1,524,665	\$ (429,903)	-28.20%
Undistributed Expenditures	1,879,861	2,241,322	(361,461)	-16.13%
Capital Outlay	347,095	319,136	27,959	8.76%
TPAF	19,881	25,762	(5,881)	-22.83%
 Total	 <u>\$ 3,341,599</u>	 <u>\$ 4,110,885</u>	 <u>\$ (769,286)</u>	

The significant decrease in expenditures was consistent with the decrease in total revenue as a result of the 23% decrease in our enrollment.

8) CASH MANAGEMENT:

The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Charter School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ('GUDPA').

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability, comprehensive/collision, hazard and theft insurance on property and contents, flood insurance, fidelity bonds, worker's compensation and student insurance.

**New Jersey Department of Education
Commissioner**

10) OTHER INFORMATION:

Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School Board appointed the accounting firm of Maligu Associates LLC, Certified Public Accountant. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.

The auditor's report on the financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Schomburg Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and Jersey City school district 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 financial, accounting and administrative personnel.

Respectfully submitted,



Audra Polite-Caballero
President, Board of Trustees

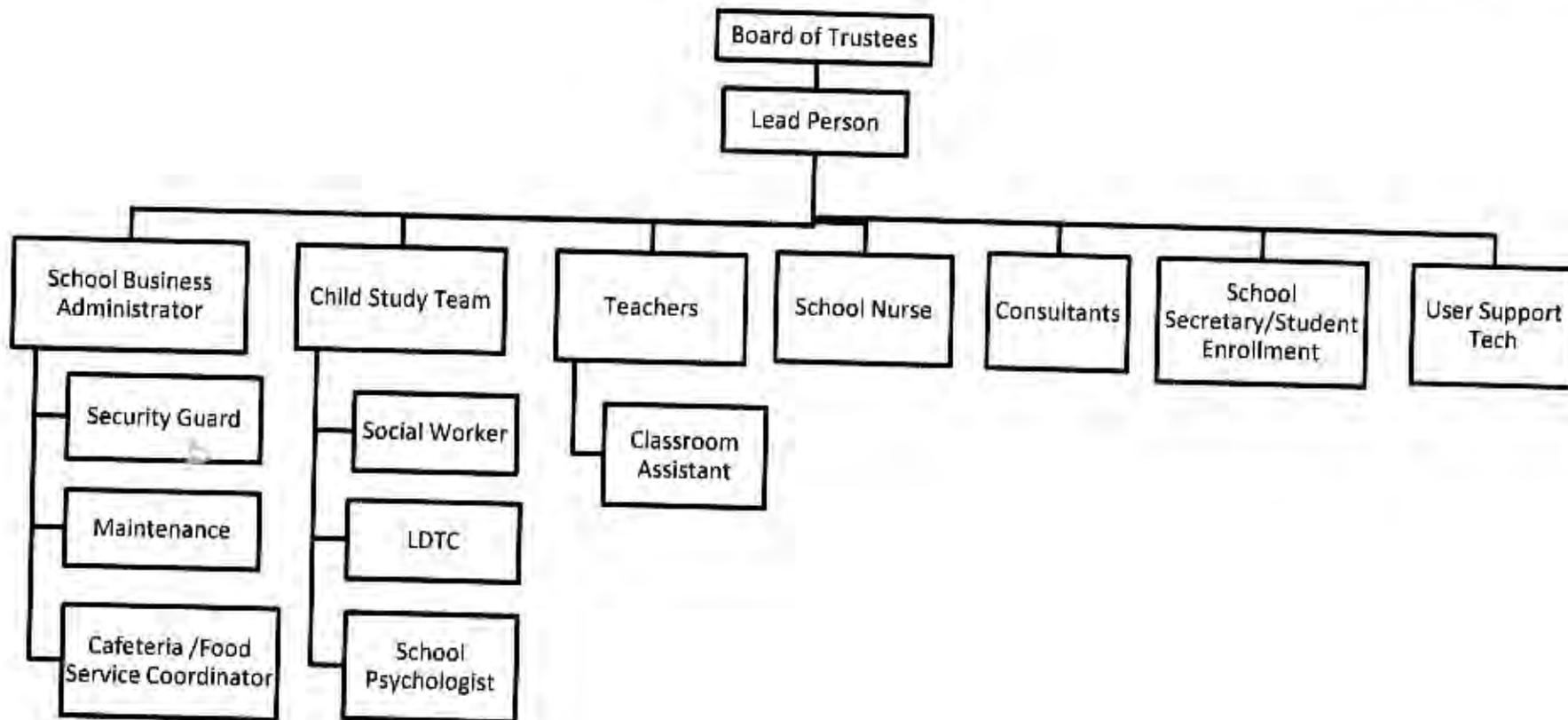
POLICY

SCHOMBURG CHARTER SCHOOL

ADMINISTRATION

1110/Page 1 of 1
Organization Chart

1110 ORGANIZATION CHART



SCHOMBURG CHARTER SCHOOL

**ROSTER OF OFFICIALS
JUNE 30, 2008**

Members of Board of Trustees

Audra Polite-Caballero	President
David Hatchett	Vice President
Daryll White	Member
Christine Fowlkes	Member
Carol Gilliard	Member
Karen Milteer	Secretary & School Business Administrator, Non-Voting
Nora Galleros	Treasurer, Non-Voting

Other Officials

Dr. Harry Dissinger	Principal/Chief School Administrator
Todd St. Laurent	Asst. Building Administrator

SCHOMBURG CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Audit Firm

Maligu Associates, LLC
Certified Public Accountant
779 Bergen Avenue, Suite 202
Jersey City, NJ 07306

Attorney

Kendal Coleman, PC
340 Clifton Avenue
Clifton, NJ 07071

Official Depository

Bank of America
12 Path Plaza
Jersey City, NJ 07306

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

December 10, 2008

The Honorable President and
Members of the Board of Trustees
Schomburg Charter School
County of Hudson, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the Schomburg Charter School (the "Charter School") Board of Trustees in the County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter School's Board of Trustees, in the County of Hudson, State of New Jersey, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in United States of America.

As more fully described in Note 7, subsequent to the issuance of the School's 2008 financial statements and our report thereon dated October 27, 2008, an error resulting in overstatement of previously reported net assets invested in capital assets, net of related debt was noted. Accordingly, the financial statements have been restated to correct the error. In our original report, we expressed an unqualified opinion on the 2008 financial statement, and our opinion on the revised statements, as expressed herein remains unqualified.

INDEPENDENT AUDITORS' REPORT – CONTINUED

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2008, on our consideration of the Charter School's Board of Trustees internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on Pages 16 through 24 and 53 through 56 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School Board of Trustees basic financial statements. The accompanying introductory section, other supplementary information including combining and individual fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Bernard Mensah, CPA
Licensed Public School Accountant
NO. 20CS00226500
Maligu Associates, LLC

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENTS DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) provides an analysis of the Schomburg Charter School's overall financial position and results of operations.

**SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Introduction

This section of the Schomburg Charter School's (the "Charter School") annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2008. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting Model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statement - and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, an amendment to GASB Statement No 21 and No 34, issued in June 2001, and; in GASB Statement No 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets decreased to \$972,043 due mainly to operating deficits in the schools business-type activities. The school's food service and student transportation funds accounted for the decrease in net assets.
- Governmental funds revenues accounted for \$ 2,958,043 in revenue or 83 % percent of total revenues of \$3,533,140. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$595,097 or 17% percent of total revenues.
- The Charter School had \$2,853,289 in expenses related to governmental fund activities. Governmental funds revenues (primarily Local Tax Levy, Federal and State aid) accounted for the Governmental Funds revenues and were adequate to offset Governmental Funds expenses.
- The Governmental Funds reported net assets at June 30, 2008, of \$140,146, which is unreserved and undesignated.

**SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Charter School as a whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the Statement of Activities, report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two school-wide statements report the school's net assets and how they have changed. Net assets, the difference between the school's assets and liabilities is one way to measure the school's financial health, or position.

Over time, increases or decreases in the school's net assets are an indicator of whether its financial health, or position is improving or deteriorating, respectively.

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Charter School, the General Fund is the most significant fund.

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

Proprietary fund statements offer short and long-term financial information about the activities the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of other, to whom the resources in question 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 a section of Required Supplementary Information that further explains and supports the information in the financial statements.

**SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

(UNAUDITED)

REPORTING THE CHARTER SCHOOL AS A WHOLE

Statement of Net Assets and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2008?" The statements of Net Assets and the Statement of Activities answers this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service, Transportation Service, and After Care Program are reported as business activities.

**SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

(UNAUDITED)

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Assets and the Statement of Activities and the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

**SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

(UNAUDITED)

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. Net assets may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$977,093 at the close of 2007. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

	2008	2007	2008	2007	2008	2007
Assets						
Current Assets	\$ 971,641	\$ 1,047,044	\$ 89,124	\$ 47,217	\$ 1,060,765	\$ 1,094,261
Other Assets, net	167,782	187,233	-	-	167,782	187,233
Capital Assets, net	6,805,896	6,985,525	-	-	6,805,896	6,985,525
Total Assets	7,945,319	8,219,802	89,124	47,217	8,034,443	8,267,019
Liabilities						
Current Liabilities	999,277	921,363	110,558	11,568	1,109,835	932,931
Long Term Liabilites	5,965,567	6,321,346	-	-	5,965,567	6,321,346
Total Liabilities	6,964,844	7,242,709	110,558	11,568	7,075,402	7,254,277
Net Assets						
Assets (net of related debt)	840,329	851,412	-	-	840,329	851,412
Unrestricted	140,146	125,681	(21,434)	35,649	118,712	161,330
Total Net Assets	980,475	977,093	(21,434)	35,649	959,041	1,012,742
	\$7,945,319	\$8,219,802	\$ 89,124	\$ 47,217	\$8,034,443	\$8,267,019

THE SCHOMBURG CHARTER POLICIES (COUNTY OF HUDSON)

MANAGEMENT DISCUSSION AND ANALYSIS

**FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The Charter School as a Whole

The table that follows reflects the change in net assets for fiscal year 2008 and 2007.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
Revenues:				
Program Revenues:				
Charge for Services	\$ -	\$ 38,420	\$ 38,420	\$ 23,373
Operating Grants and Contributions	345,295	60,000	405,295	622,208
Total Program Revenues	<u>345,295</u>	<u>98,420</u>	<u>443,715</u>	<u>645,581</u>
General Revenues:				
Local Aid	792,665	-	792,665	728,006
Federal and State Aid	2,099,623	131,268	2,230,891	2,630,540
Miscellaneous	65,755	-	65,755	40,353
Total General Revenues	<u>2,958,043</u>	<u>131,268</u>	<u>3,089,311</u>	<u>3,398,899</u>
Total Revenues	<u>3,303,338</u>	<u>229,688</u>	<u>3,533,026</u>	<u>4,044,480</u>
Expenses:				
Instructions	1,094,762	-	1,094,762	1,830,334
Support Services:				
Administrative	1,210,209	-	1,210,209	1,007,356
Other Support Services	689,533	-	689,533	954,059
Unallocated Depreciation	204,080	-	204,080	204,080
Transportation	-	114,608	114,608	-
After Care	-	20,692	20,692	19,711
Food Service	-	151,471	151,471	118,971
Total Expenses	<u>3,198,584</u>	<u>286,771</u>	<u>3,485,355</u>	<u>4,134,511</u>
Changes in Net Assets	<u>\$ 104,754</u>	<u>\$ (57,083)</u>	<u>\$ 47,671</u>	<u>\$ (90,031)</u>

SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

(UNAUDITED)

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2008.

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 1,094,762	\$ 816,924
Support Services:		
Administrative expenses	669,652	638,604
Support services	1,230,090	1,193,681
Unallocated depreciation	204,080	204,080
Total Expenses	<u>\$ 3,198,584</u>	<u>\$ 2,853,289</u>

Business-Type Activity

The business-type activities of the Charter School include the food and transportation service operations and after care program. The Charter School had revenues of \$229,688 and operating expenses of \$286,771 for fiscal year 2007-2008.

The Charter School continued in its effort to have food services be self-operating without assistance from the General Fund, however, this unfunded mandate resulted in the necessity for subsidies from the general fund for both years.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. The positive change in fund balance for the year reflects that the Charter School was able to conservatively meet current costs of operations and resulted to a positive fund balance of \$980,475 which includes investment in capital assets, net of related long-term debts.

**SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

(UNAUDITED)

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue -based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

The State of New Jersey reimbursed the Charter School \$19,881 during the year ended June 30, 2008 for the employer's share of social security contributions for TPAF members. This unbudgeted amount is included in both revenues and expenditures.

Capital Assets

During fiscal year and as of June 30, 2008, the Charter School acquired instructional equipment and paid the principal portion of the mortgage loans on its land and building.

Long-term debts

At June 30, 2008, the Charter School had \$5,965,567 in long-term debts – mortgages on the land acquired from the Jersey City Redevelopment Agency and the school building acquired from Edison Schools, Inc. The acquisitions were made on February 25, 2005.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. This impact the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2007-2008. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

**SCHOMBURG CHARTER SCHOOL, INC.
(COUNTY OF HUDSON)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

(UNAUDITED)

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

**SCHOMBURG CHARTER SCHOOL
508 Grand Street
Jersey City, New Jersey 07302**

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT A-1

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 3a)	\$ 951,954	\$ 12,804	\$ 964,758
Receivables, net (Note 3b)	19,687	23,517	43,204
Due from other funds	-	52,803	52,803
Other Assets - Financing costs, net	167,782	-	167,782
Capital assets, net (Note 3c)	6,805,896	-	6,805,896
Total Assets	<u>7,945,319</u>	<u>89,124</u>	<u>8,034,443</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	213,067	18,549	231,616
Accrued payroll and fringes	201,114	-	201,114
Compensated absences payable	13,940	-	13,940
Contracts payable	105,588	-	105,588
Payable to state government	205,840	-	205,840
Due to other funds (Note 3d)	94,201	92,009	186,210
Deferred revenue	165,527	-	165,527
Current portion of note payable	355,948	-	355,948
Total current liabilities	<u>1,355,225</u>	<u>110,558</u>	<u>1,465,783</u>
Long-Term Debt (Note 5)	<u>5,609,619</u>	<u>-</u>	<u>5,609,619</u>
Total Liabilities	<u>6,964,844</u>	<u>110,558</u>	<u>7,075,402</u>
NET ASSETS			
Invested in capital assets, net of related debt	840,329	-	840,329
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpend A	-	-	-
Other purposes	-	-	-
Unrestricted	140,146	(21,434)	118,712
Total net assets	<u>980,475</u>	<u>(21,434)</u>	<u>959,041</u>
Total liabilities & net assets	<u>\$ 7,945,319</u>	<u>\$ 89,124</u>	<u>\$ 8,034,443</u>

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

STATEMENT OF ACTIVITIES

JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 1,094,762	\$ -	\$ (277,838)	\$ -	\$ (816,924)	\$ -	\$ (816,924)
Support services:							
Student & instruction related services	669,652	-	(31,048)	-	(638,604)	-	(638,604)
School administrative services	776,907	-	-	-	(776,907)	-	(776,907)
Unallocated depreciation & Amortization	204,080	-	-	-	(204,080)	-	(204,080)
Unallocated fringe benefits	453,183	-	(36,409)	-	(416,774)	-	(416,774)
Total governmental activities	<u>3,198,584</u>	<u>-</u>	<u>(345,295)</u>	<u>-</u>	<u>(2,853,289)</u>	<u>-</u>	<u>(2,853,289)</u>
Business-type activities:							
After Care Program	20,692	(30,549)	-	-	-	9,857	9,857
Transportation Service	114,608	(7,297)	-	(60,000)	-	(47,311)	(47,311)
Food Service	151,471	(574)	-	-	-	(150,897)	(150,897)
Total business-type activities	<u>286,771</u>	<u>(38,420)</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>	<u>(188,351)</u>	<u>(188,351)</u>
Total primary government	<u>\$ 3,485,355</u>	<u>\$ (38,420)</u>	<u>\$ (345,295)</u>	<u>\$ (60,000)</u>	<u>\$ (2,853,289)</u>	<u>\$ (188,351)</u>	<u>\$ (3,041,640)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net				\$ 792,665	\$ -	\$ 792,665	
Federal and State aid not restricted				2,099,623	131,268	2,230,891	
Miscellaneous Income				65,755	-	65,755	
Total general revenues, special items, extraordinary items and transfer				<u>2,958,043</u>	<u>131,268</u>	<u>3,089,311</u>	
Change in Net Assets				104,754	(57,083)	47,671	
Net Assets-beginning				<u>875,721</u>	<u>35,649</u>	<u>911,370</u>	
Net Assets-ending				<u>\$ 980,475</u>	<u>\$ (21,434)</u>	<u>\$ 959,041</u>	

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

FUND FINANCIAL STATEMENTS

SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT B-1

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Special Revenue Fund	Capital Projects Funds	Debt Service Fund	Permanent Fund	Total Governmental Fund
ASSETS						
Cash and cash equivalents	\$ 951,954	\$ -	\$ -	\$ -	\$ -	\$ 951,954
Due from other funds	-	294,565	-	-	-	294,565
Receivables from other governments	19,687	-	-	-	-	19,687
Other Assets - Escrow deposits	-	-	-	-	-	-
Total assets	<u>971,641</u>	<u>294,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,266,206</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	149,789	63,278	-	-	-	213,067
Accrued payroll and fringes	135,354	65,760	-	-	-	201,114
Accrued compensated absences	13,940	-	-	-	-	13,940
Contracts payable	105,588	-	-	-	-	105,588
Interfund payable	497,747	-	-	-	-	497,747
Payable to state government	96,859	-	-	-	-	96,859
Deferred revenue	-	165,527	-	-	-	165,527
Total liabilities	<u>999,277</u>	<u>294,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,293,842</u>
Fund Balances:						
Reserved for:						
Encumbrances	-	-	-	-	-	-
Legally restricted - unexpended additional spending proposal	-	-	-	-	-	-
Legally restricted - designated for Subsequent year's expenditures	-	-	-	-	-	-
Excess surplus	-	-	-	-	-	-
Excess surplus - designated for Subsequent year's expenditures	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unreserved, reported in:						
General fund	(27,636)	-	-	-	-	(27,636)
Special revenue fund	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total Fund balances	<u>(27,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,636)</u>
Total liabilities and fund balances	<u>\$ 971,641</u>	<u>\$ 294,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

- Amounts reported for governmental activities in the statement of net assets (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 \$7,397,244 and the accumulated depreciation is \$591,348 6,805,896

The total financing costs related to mortgage notes is \$244,508 and the accumulated amortization is \$76,726 167,782

Long-term liabilities are not due and payable in the current period and therefore not reported as in the funds. (5,965,567)

Net assets of governmental activities \$ 980,475

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	General Fund	Special Revenue Fund	Capital Projects Funds	Debt Service Fund	Permanent Fund	Total Governmental Fund
REVENUES						
Local sources:						
Local tax levy	\$ 792,665	\$ -	\$ -	\$ -	\$ -	\$ 792,665
Contribution	-	-	-	-	-	-
Miscellaneous	65,755	-	-	-	-	65,755
Total - Local Sources	858,420	-	-	-	-	858,420
State sources	2,099,623	-	-	-	-	2,099,623
Federal sources	-	345,295	-	-	-	345,295
Total revenues	2,958,043	345,295	-	-	-	3,303,338
EXPENDITURES						
Current:						
Instruction	801,001	293,761	-	-	-	1,094,762
Undistributed Expenditures						
Administrative cost	1,210,209	-	-	-	-	1,210,209
Support services	618,118	51,534	-	-	-	669,652
TPAF reimbursed	19,881	-	-	-	-	19,881
Capital outlay	347,095	-	-	-	-	347,095
Total expenditures	2,996,304	345,295	-	-	-	3,341,599
Excess (Deficiency) of revenues over expenditures	(38,261)	-	-	-	-	(38,261)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-
Net change in fund balances	(38,261)	-	-	-	-	(38,261)
Fund balance - July 1	10,625	-	-	-	-	10,625
Fund balance - June 30	\$ (27,636)	\$ -	\$ -	\$ -	\$ -	\$ (27,636)

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds (from B-2) \$ (38,261)

Amounts reported for governmental activities in the statement
of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their estimated
useful lives as depreciation expense. This is the amount by which depreciation
exceed capital outlays in the current period.

Depreciation of building and equipment	\$ (179,629)	
Amortization of financing costs	(24,451)	
Capital Outlays	<u>347,095</u>	<u>143,015</u>
Change in net assets of governmental activities		<u>\$ 104,754</u>

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT B-4

STATEMENT OF NET ASSETS

PROPRIETARY FUND

JUNE 30, 2008

	<u>Food Service</u>	<u>After Care Program</u>	<u>Transportation</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,804	\$ -	\$ -	\$ 12,804
Government grants receivable	23,517	-	-	23,517
Interfund receivable General Fund	-	45,506	7,297	52,803
Other receivables	-	-	-	-
Inventories	-	-	-	-
Total current assets	<u>36,321</u>	<u>45,506</u>	<u>7,297</u>	<u>89,124</u>
Noncurrent assets:				
Furniture, machinery & equipment	-	-	-	-
Less accumulated depreciation	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>36,321</u>	<u>45,506</u>	<u>7,297</u>	<u>89,124</u>
LIABILITIES				
Current liabilities				
Accounts payable	-	-	9,000	9,000
Interfund payable - General Fund	55,950	-	45,608	101,558
Deferred Revenue	-	-	-	-
Total Current Liabilities	<u>55,950</u>	<u>-</u>	<u>54,608</u>	<u>110,558</u>
Total liabilities	<u>55,950</u>	<u>-</u>	<u>54,608</u>	<u>110,558</u>
NET ASSETS				
Invested in capital assets net	-	-	-	-
Unrestricted net assets	<u>(19,629)</u>	<u>45,506</u>	<u>(47,311)</u>	<u>(21,434)</u>
Total net assets	<u>(19,629)</u>	<u>45,506</u>	<u>(47,311)</u>	<u>(21,434)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,321</u>	<u>\$ 45,506</u>	<u>\$ 7,297</u>	<u>\$ 89,124</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	<u>Food Service</u>	<u>After Care Program</u>	<u>Transportation Service</u>	<u>Total</u>
Operating revenues:				
Charges for services:				
Parent fees	\$ -	\$ 30,549	\$ 7,297	\$ 37,846
Daily sales - non-reimbursable programs	574	-	-	574
Total operating revenues	<u>574</u>	<u>30,549</u>	<u>7,297</u>	<u>38,420</u>
Operating expenses:				
Cost of sales	127,552	-	114,608	242,160
Salaries	23,919	20,692	-	44,611
Employee benefits	-	-	-	-
Other purchased services	-	-	-	-
General supplies	-	-	-	-
Depreciation	-	-	-	-
Total Operating expenses	<u>151,471</u>	<u>20,692</u>	<u>114,608</u>	<u>286,771</u>
Operating loss	<u>(150,897)</u>	<u>9,857</u>	<u>(107,311)</u>	<u>(248,351)</u>
Non-operating revenues:				
Corporate Contribution			60,000	60,000
State sources:				
State school lunch program	3,690	-	-	3,690
State school breakfast program	2,068	-	-	2,068
Federal sources:				
National school breakfast program	32,873	-	-	32,873
National school lunch program	89,828	-	-	89,828
After School Snacks program	2,809	-	-	2,809
Food distribution program	-	-	-	-
Total non-operating revenues	<u>131,268</u>	<u>-</u>	<u>60,000</u>	<u>131,268</u>
Income (Loss) before transfers	<u>(19,629)</u>	<u>9,857</u>	<u>(47,311)</u>	<u>(57,083)</u>
Transfers in (out)	-	-	-	-
Change in net assets	<u>(19,629)</u>	<u>9,857</u>	<u>(47,311)</u>	<u>(57,083)</u>
Total net assets - beginning	<u>-</u>	<u>35,649</u>	<u>-</u>	<u>35,649</u>
Total net assets - ending	<u>\$ (19,629)</u>	<u>\$ 45,506</u>	<u>\$ (47,311)</u>	<u>\$ (21,434)</u>

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

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	Food Service	After Care Program	Transportation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ 30,549	\$ 7,297	\$ 37,846
Other receipts	574	-	-	574
Payments to employees	(23,919)	(20,692)	-	(44,611)
Payments to suppliers	(119,969)	-	(105,608)	(225,577)
Net cash used for operating activities	<u>(143,314)</u>	<u>9,857</u>	<u>(98,311)</u>	<u>(231,768)</u>
CASH FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund Loan or Loan Repayment Received	-	(9,857)	45,608	35,751
Contribution Received	-	-	-	-
State Sources	6,150	-	-	6,150
Federal Sources	128,003	-	-	128,003
Net cash provided by (used for) non-capital financing activities	<u>134,153</u>	<u>(9,857)</u>	<u>45,608</u>	<u>134,153</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Change in capital contributions	-	-	-	-
Purchases of capital assets	-	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(9,161)	-	-	(9,161)
Balance-beginning of year	19,831	-	-	19,831
Balance-end of year	<u>10,670</u>	<u>-</u>	<u>-</u>	<u>10,670</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:				
Operating income (loss)	(150,897)	9,857	(107,311)	(235,349)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
(Increase) decrease in other current assets	26,699	-	-	26,699
Increase (decrease) in accounts payable	(7,284)	-	9,000	1,716
Increase (decrease) in other liabilities	(11,832)	-	-	(11,832)
Total adjustments	<u>7,583</u>	<u>-</u>	<u>9,000</u>	<u>16,583</u>
Net cash used for operating activities	<u>(143,314)</u>	<u>9,857</u>	<u>(98,311)</u>	<u>(231,768)</u>

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT B-7

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2008

	<u>Student Activity</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,639	\$ 10,248
Interfund receivable	969	16,557
Investments, at fair value:		
U.S. government obligations	-	-
NJ municipal bonds	-	-
Total investments	-	-
Total assets	<u>\$ 3,608</u>	<u>\$ 26,805</u>
LIABILITIES		
Accounts payable	-	-
Payable to Charter School	-	-
Payable to student activity	3,608	-
Payroll deductions and withholdings	-	26,805
Total liabilities	<u>3,608</u>	<u>26,805</u>
NET ASSETS		
Held in trust	<u>\$ -</u>	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2008

	Unemployment Compensation Trust
Contributions:	
Plan member	\$ -
Other	-
Total Contributions	<u>-</u>
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	-
Dividends	-
Less investment expense	-
Net investment earnings	<u>-</u>
Total additions	<u>-</u>
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	<u>-</u>
Change in net assets	<u>-</u>
Net assets-beginning of the year	-
Net assets-end of year	<u>\$ -</u>

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

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schomburg Charter School (the "Charter School") is a nonprofit organization incorporated under the laws of the State of New Jersey in 1999. It is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Charter School charter was approved in 1999. However, school opened in September 8, 2000.

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

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to prepare a diverse cross section of Jersey City children in kindergarten through fifth grade for success as students, citizens and workers. The Charter School is committed to provide a comprehensive, technology-rich curriculum in a supportive and challenging learning environment. In addition, the Charter School provides students with a number of advantages including; a seven to eight hour school days; a 180-day school year; an all day kindergarten program; Spanish instruction for all students beginning in kindergarten; proven instructional systems such as Success for All Reading program and the University of Chicago mathematics program; an extensive technology program, including computers in every classroom and internet computers in the homes of every family with a student in grade three or higher; and a "house system" that ensures a personal and manageable school experience for students and their families.

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

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Charter School Financial and Fund Statements

The Charter School financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Charter School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school Charter Schools, who purchase, use, or directly benefit from goods or services 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. Taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Charter School-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Charter School considers all of its governmental funds and the food service enterprise fund to be major funds.

The Charter School 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. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Charter School Financial and Fund Statements - Continued

revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirement imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year- end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures, which are recorded when payment is due and compensated absences and claims and judgments which are recorded only to the extent that there are expendable financial resources available.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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:

The General Fund is the School Charter School's primary operating fund. It accounts for all financial resources of the Charter School, except those required to be accounted for in another fund.

The Special Revenue Fund accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects and the school breakfast and lunch programs.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Charter School Financial and Fund Statements – Continued

The Capital Projects Fund accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities.

The Debt Service Fund accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The Charter School reports the following major proprietary fund which is organized to be self-supporting through user charges:

The Food Service, Transportation service, and After Care Service Funds account for all revenues and expenses pertaining to cafeteria and after school operations. These Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (including depreciation and indirect costs) of providing goods and services to the students on a continuing basis is financed or recovered primarily through governmental subsidies for users.

Additionally, the government reports the following fund types:

The Fiduciary Trust Fund is used to account for resources legally held in trust for the State Unemployment Insurance Fund, and payroll related items. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the Charter School-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the activities and enterprise funds, subject to this same limitation. The Charter School has elected not to follow FASB guidance issued subsequent to December 1, 1989.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Charter School Financial and Fund Statements – Continued

As a general rule the effect of interfund activity has been eliminated from the Charter School financial statements. Exceptions to this general rule are charges to the Charter School's proprietary funds and fiduciary funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the Charter School-wide statement of activities include 1) charges to customers or applicants for goods or services, 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 taxes and unrestricted state aid.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund and of the extended day enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Federal and State subsidies for the food service operation and contribution received by the transportation service fund are considered non-operating revenues.

C. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Assets, Liabilities and Net Assets or Equity

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Assets, Liabilities and Net Assets or Equity - Continued

Capital Assets

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Buildings Improvement	15
Vehicles	10
Equipment	5-10
Computer Equipment	5

Fund Equity

Reservations/Designations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. Specific reservations/designations of the fund balance accounts are summarized below.

Reserved for Encumbrances—This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30. As of June 30, 2008, there was no reserve for encumbrances.

Reserved for Capital Reserve Account—This reserve was created by budget appropriation to fund future capital expenditures. As of June 30, 2008, there was no reserve for capital reserve account.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Assets, Liabilities and Net Assets or Equity – Continued

Fund Equity – Continued

Reserved for Obligations Under Capital Leases -Proceeds from the investment of the lease purchase certificates of participation to be applied to the final principal payments due on the certificates. As of June 30, 2008, there was no reserve for obligations under capital leases.

Designated for Subsequent Year's Budget -This designation was created to dedicate the portion of fund balance utilized in the adopted subsequent year's budget. As of June 30, 2008, there were no designated for subsequent year's budget.

D. Budget/Budgetary Control

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

E. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education, the Charter School annually prepares its operating budget for the

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

B. Budgetary Information - Continued

forthcoming year .The budget, except for the special revenue fund, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Budget adoptions and amendments are recorded in the Charter School's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. All budget amendments must be approved by the State Department of Education. The Board approved several budget transfers during 2007-2008. During 2007-2008 the Board decreased the original budget by \$483,095.

The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l.

C. Appropriations in Excess of Budget

The Charter School periodically reviewed its budget during fiscal year 2008. However, certain budget lines item were over expended as of June 30, 2008.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalent

Cash and cash equivalents includes petty cash, change funds and amounts on deposit with local banks. New Jersey statutes require that Charter School deposit public funds in public depositories located in New Jersey which is insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. As of June 30, 2008, cash and cash equivalents consisted of the following:

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents – Continued

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Trust & Agency Fund</u>	<u>Total</u>
Operating Account	<u>\$ 951,954</u>	<u>\$ 12,804</u>	<u>\$ 12,887</u>	<u>\$ 977,645</u>

B. Receivables

Receivables as of year-end for the government's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Intergovernmental	<u>\$ 19,687</u>	<u>\$ -</u>	<u>\$ 23,517</u>	<u>\$ 43,204</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there was no deferred revenue reported in the governmental funds.

C. Capital Assets

During 2008 and as of June 30, 2008, the Charter School has capital assets. The school building was purchased from Edison Schools and the land where the building is located was purchased from the Jersey City Redevelopment Agency on February 25, 2005. Throughout the year equipment items were purchased and recorded as part of the capital assets as of June 30, 2008.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund Receivables, Payables and Transfers

The total interfund account receivables and payables for the Charter School amounted to \$226,168 analyzed as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Trust & Agency Fund</u>	<u>Total</u>
Interfund:					
Receivables	\$ -	\$ 294,565	\$ -	\$ 17,526	\$ 312,091
Payables	<u>(285,887)</u>	<u>-</u>	<u>(26,204)</u>	<u>-</u>	<u>\$ (312,091)</u>
Net	<u>\$ (285,887)</u>	<u>\$ 294,565</u>	<u>\$ (26,204)</u>	<u>\$ 17,526</u>	<u>\$ -</u>

The above interfund balances either funded cash overdrafts or originated from expenditures paid by one fund on behalf of another fund

E. Due to State Government

As of June 30, 2008, \$19,881 is payable to the New Jersey Department of Education to reimburse the Department for TPAF members whose salaries were funded through federal funds and for state aid adjustments.

F. Risk Management

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.

G. Accrued Salaries and Wages

- a. All Charter School employees' salaries are evenly disbursed during the entire twelve-month year. New Jersey statutes require that earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2008, a separate bank account is maintained by the School. All payroll disbursements are made by the Charter School.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Accrued Salaries and Wages – Continued

b. Compensated Absences

Charter School employees are granted vacation and sick leave in varying amounts under the Charter School personnel policies. It is the policy of the Charter School that employees who provide services to the Charter School over the ten-month academic year are not entitled to vacation days. All full time employees are allowed compensated sick leave of eight (8) working days and two (2) personal days each year. Personal days must be taken by the end of the school year or it will be forfeited. Sick time accrues year to year; however, at the time of termination of employment, employees forfeit all accrued benefits. At June 30, 2008 the total compensated absences is \$13,940.

The Charter School accounts for compensated absences using the Statement No. 16 of the GASB entitle “Accounting for Compensated Absences.”

Under GASB 16, a liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The Charter School uses the “vesting method” for estimating its accrued sick and vacation leave liability.

H. Pension Plans

Description of Systems

Substantially all of the Charter School employees are expected to participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS – CONTINUED

H. Pension Plans - Continued

Description of Systems - Continued

The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers. The Public Employees' Retirement System is also considered a cost-sharing multiple-employer plan.

Substantially all of the Charter School employees are expected to participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey.

The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers. The Public Employees' Retirement System is also considered a cost-sharing multiple-employer plan.

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS – CONTINUED

H. Pension Plans - Continued

Description of Systems - Continued

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service.

Early retirement is available for these systems to those employees under age 60 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS.

The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS – CONTINUED

H. Pension Plans - Continued

Fund Equity

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums recorded as liability for the pension premiums. As of June 30, 2008 the Charter School recorded no liability for the pension premium.

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent that portion of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

I. Post-Employment Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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. As of June 30, 2007, there were 71,719 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contribution by the state in accordance with chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve by one half of 1% of the active State payroll.

The State made post retirement (RPM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in fiscal year 2007.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS – CONTINUED

I. Post-Employment Benefits – Continued

In fiscal year 2007, the State paid \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members.

NOTE 4 LAND, BUILDING AND EQUIPMENT

Land and Building

On February 25, 2005, the Charter School purchased the school building located at 508 Grand Street, New Jersey from Edison Schools, Inc. and the land from the Jersey City Redevelopment Authority through approved financing in a total amount of \$7,000,000 (see Note 5). Fixed assets purchases and the related accumulated depreciation are summarized as follows:

Land	\$	800,000
Building		6,500,000
Equipment		97,244
Total		<u>7,397,244</u>
Less; Accumulated Depreciation		(591,348)
Net Book Value	\$	<u><u>6,805,896</u></u>

NOTE 5 LONG-TERM DEBTS

Mortgage Note 1 – Commerce Bank, N.A.

The New Jersey Economic Development Authority (NJEDA) authorized and directed the issuance and sale of Series 2005-Schomburg Charter School project in the amount of \$5,000,000 and sold to Commerce Bank, NA. The proceeds of the bond sale was extended to the Charter School through a mortgage note signed on February 25, 2005 with a rate of 4.8% payable in 10 years with an additional 10-year renewal. The monthly payment required is \$32,660 to cover both principal and interest payments. Total interest payments in 2008 amounted to \$168,695.

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 LONG-TERM DEBTS - CONTINUED

Mortgage Note 2 – The Reinvestment Fund

In Addition, The Reinvestment Fund (TRF) also provided the Charter School with a \$2,000,000 loan to be subordinated by the first mortgage with Commerce Bank, payable in 10 years at a 7.49% annual interest rate with monthly payments of \$23,730. The total interest payments in 2008 amounted to \$165,245.

For the fiscal year ended June 30, 2008, principal payments and loan balances are as follows:

	<u>Note 1</u>	<u>Note 2</u>	<u>Totals</u>
Loan Balances - June 30, 2007	\$ 4,650,974	\$ 1,670,372	\$ 6,321,982
Less Principal Payments in 2007-08	(168,695)	(171,953)	(356,312)
Outstanding Balances - June 30, 2008	<u>\$ 4,482,279</u>	<u>\$ 1,498,419</u>	<u>\$ 5,965,670</u>

The total financing costs related to the above long-term debts was \$244,508 to be amortized over the life of the loans. Total amortization charged to operations for 2008 was \$24,451.

The following table summarizes the future debt requirements to maturity, including \$2,458,929 in interest.

<u>Year ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
2009	\$ 355,758	\$ 320,927	\$ 676,685
2010	378,405	298,280	676,685
2011	402,605	281,644	684,249
2012	428,427	255,717	684,144
2013	446,695	244,717	691,412
Thereafter	3,953,780	1,057,644	5,011,424
Total	<u>\$ 5,965,670</u>	<u>\$ 2,458,929</u>	<u>\$ 8,424,599</u>

**THE SCHOMBURG CHARTER POLICIES
(COUNTY OF HUDSON)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6 CONTINGENT LIABILITY

The charter school is a target of a lawsuit entitled Harry Dissinger v. Schomburg Charter School. In the case, a former chief school administrator was terminated and he is suing the school for mental and emotional distress and seeks damages of approximately \$300,000 to \$400,000. The charter school counsel believes that the former chief administrator will not prevail in this matter and so the charter school has not accrued any related expense.

NOTE 7 REVISION TO THE FINANCIAL STATEMENT

Subsequent to the issuance of the School's 2008 financial statements, we became aware of an overstatement of net assets invested in capital assets, net of related debt. The overstatement resulted from current portion of long-term debt added to net assets invested in capital assets, net of related debt.

There is no effect on change in net assets for the year ended June 30, 2008 as a result of the restatement. The restatement decreased net assets invested in capital assets by \$355,948 at June 30, 2008.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable (Unfavorable)
REVENUES					
Local Sources:					
Local Tax Levy Contribution	\$ 1,011,500	\$ (190,619)	\$ 820,881	\$ 792,665	\$ (28,216)
Miscellaneous	27,500	-	27,500	65,755	38,255
Total - Local Sources	<u>1,039,000</u>	<u>(190,619)</u>	<u>848,381</u>	<u>858,420</u>	<u>10,039</u>
State Sources:					
Core Curriculum Standards Aid	1,735,326	(327,976)	1,407,350	1,384,388	(22,962)
Demonstrably Effective Program Aid	165,074	-	165,074	126,260	(38,814)
Early Childhood Program Aid	293,187	-	293,187	222,796	(70,391)
Special Education Aid	142,092	-	142,092	88,075	(54,017)
Bilingual Aid	7,008	-	7,008	-	(7,008)
Abbott V. Burke Sate Aid	282,123	-	282,123	135,837	(146,286)
Non-Public School Aid	-	35,500	35,500	-	(35,500)
Technology Aid	14,400	-	14,400	10,908	(3,492)
T&E Gap	112,714	-	112,714	89,906	(22,808)
Teacher Quality Mentoring	-	-	-	-	-
TPAF Pension (on-Behalf - Non-Budgeted)	-	-	-	-	-
TPAF Pension (Reimbursed - Non-Budgeted)	-	-	-	41,453	41,453
Total State Sources	<u>2,751,924</u>	<u>(292,476)</u>	<u>2,459,448</u>	<u>2,099,623</u>	<u>(359,825)</u>
Federal Sources	-	-	-	-	-
Total Revenues	<u>3,790,924</u>	<u>(483,095)</u>	<u>3,307,829</u>	<u>2,958,043</u>	<u>(349,786)</u>
EXPENDITURES:					
Current Expense:					
Instruction					
Salaries of Teachers	881,800	(239,059)	642,741	636,734	6,007
Other Salaries for Instruction	150,000	(87,272)	62,728	62,679	49
Purchased Professional-Educational Services	65,000	(20,000)	45,000	46,026	(1,026)
Purchased Technical Services	65,000	(54,002)	10,998	10,847	151
Other Purchased Services (400-500 series)	14,500	1,877	16,377	15,833	544
General Supplies	85,000	(58,000)	27,000	25,740	1,260
Textbooks	10,000	(6,877)	3,123	3,142	(19)
Other Objects	-	-	-	-	-
Total Instruction	<u>1,271,300</u>	<u>(463,333)</u>	<u>807,967</u>	<u>801,001</u>	<u>6,966</u>
Undist. Expend. - Administrative cost					
Salaries	246,145	(34,000)	212,145	204,574	7,571
Salaries of Secretarial and Clerical Assistant	50,467	(10,758)	39,709	36,133	3,576
Total Benefit Costs	397,300	31,577	428,877	452,743	(23,866)
Professional/Technical Service	97,100	(6,800)	90,300	87,318	2,982
Other Purchased Services	12,000	12,130	24,130	25,531	(1,401)
Communications/Telephone	30,000	7,383	37,383	38,254	(871)
Supplies and Materials	20,000	(7,330)	12,670	12,003	667
Mortgage Payments - Interest	342,746	-	342,746	342,707	39
Judgments Against School	-	-	-	-	-
Miscellaneous Expenditures	18,000	-	10,917	10,946	(29)
Total Undist. Expend. - Administrative cost	<u>1,213,758</u>	<u>(7,798)</u>	<u>1,198,877</u>	<u>1,210,209</u>	<u>(11,332)</u>
Undist. Expend. - Support Services					
Salaries	232,801	(5,883)	226,918	180,745	46,173
Purchased Professional and Technical Services	89,500	-	89,500	107,187	(17,687)
Other Purchased Services (400-500 series)	152,000	33,365	185,365	197,635	(12,270)
Rent on Land and Buildings	-	-	-	-	-

SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Insurance - Fidelity, Liability, Property	70,000	(19,000)	51,000	47,785	3,215
Supplies and Materials	5,000	1,282	6,282	6,173	109
Energy Costs (Heat and Electricity)	60,000	15,000	75,000	76,212	(1,212)
Transportation (non-mandated)	-	-	-	-	-
Miscellaneous Expenditures (including food)	27,000	-	4,353	2,381	1,972
Total Undist. Expend - Support Services	<u>636,301</u>	<u>24,764</u>	<u>638,418</u>	<u>618,118</u>	<u>20,300</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>1,850,059</u>	<u>16,966</u>	<u>1,837,295</u>	<u>1,828,327</u>	<u>8,968</u>
TOTAL GENERAL CURRENT EXPENSE	<u>3,121,359</u>	<u>(446,367)</u>	<u>2,645,262</u>	<u>2,629,328</u>	<u>15,934</u>
CAPITAL OUTLAY					
Instructional Equipment	25,000	(20,000)	5,000	4,422	578
Non-instructional Equipment	5,000	-	5,000	8,694	(3,694)
Purchase of Land/Improvement	-	-	-	-	-
Mortgage Principal Payments	333,939	-	333,939	333,979	(40)
Miscellaneous Expenses	-	-	-	-	-
Total Capital Outlay	<u>363,939</u>	<u>(20,000)</u>	<u>343,939</u>	<u>347,095</u>	<u>(3,156)</u>
ON-BEHALF CONTRIBUTIONS					
On-behalf TPAF Pension Contributions (non	-	-	-	-	-
Reimbursed PAF Social Security Contributions	-	-	19,881	19,881	-
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>19,881</u>	<u>19,881</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,485,298</u>	<u>(466,367)</u>	<u>3,009,082</u>	<u>2,996,304</u>	<u>12,778</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>305,626</u>	<u>(16,728)</u>	<u>298,747</u>	<u>(38,261)</u>	<u>(362,564)</u>
Other Financing Sources:					
Operating Transfer In:					
Transfer from the Food Service Fund	-	-	-	-	-
Operating Transfer Out:					
Transfer to Food Service Fund	-	-	-	-	-
Transfer to Internal Service Fund	-	-	-	-	-
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing	<u>305,626</u>	<u>(16,728)</u>	<u>298,747</u>	<u>(38,261)</u>	<u>(362,564)</u>
Fund Balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>10,626</u>	<u>10,625</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 305,626</u>	<u>\$ (16,728)</u>	<u>\$ 309,373</u>	<u>\$ (27,636)</u>	<u>\$ (362,564)</u>

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

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-
Federal Sources	510,822	-	510,822	345,295	(165,527)
Total - Local Sources	<u>510,822</u>	<u>-</u>	<u>510,822</u>	<u>345,295</u>	<u>(165,527)</u>
EXPENDITURES:					
Instruction					
Salaries	340,379	-	340,379	277,838	62,541
Purchased Professional-Educational Services	2,906	-	2,906	-	2,906
Purchased Technical Services	-	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	61,737	-	61,737	15,923	45,814
Textbooks	-	-	-	-	-
Other Objects	-	-	-	-	-
Total Instruction	<u>405,022</u>	<u>-</u>	<u>405,022</u>	<u>293,761</u>	<u>111,261</u>
Support Services					
Salaries	-	-	-	-	-
Personal Services - Employee Benefits	41,756	-	41,756	36,409	5,347
Purchased Professional - Educational Services	-	-	-	-	-
Professional Development	-	-	-	-	-
Other Purchased Professional Services	48,189	-	48,189	15,125	33,064
Purchased Technical Services	-	-	-	-	-
Travel	-	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-	-
Supplies and Materials	-	-	-	-	-
Other Objects	-	-	-	-	-
Total Support Services	<u>89,945</u>	<u>-</u>	<u>89,945</u>	<u>51,534</u>	<u>38,411</u>
Administration	<u>15,855</u>	<u>-</u>	<u>15,855</u>	<u>-</u>	<u>15,855</u>
Facilities Acquisition and Construction Services:					
Buildings	-	-	-	-	-
Instructional Equipment	-	-	-	-	-
Non-instructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 510,822</u>	<u>\$ -</u>	<u>\$ 510,822</u>	<u>\$ 345,295</u>	<u>\$ 165,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI**

YEAR ENDED JUNE 30, 2008

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule	[C-1] \$ 2,099,623	[C-2] \$ 510,822
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.	<u>-</u>	<u>(165,527)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] <u>2,099,623</u>	[B-2] <u>345,295</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 2,996,304	[C-2] 345,295
Differences - budget to GAAP		
The district budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis.		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues.	[B-2] <u>\$ 2,996,304</u>	[B-2] <u>\$ 345,295</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

JUNE 30, 2008

	<u>Food Service</u>	<u>After Care Program</u>	<u>Transportation</u>	<u>Total</u>
Operating revenues:				
Charges for services:				
Fees	\$ -	\$ 30,549	\$ 7,297	\$ 37,846
Daily sales - non-reimbursable programs	574	-	-	574
Total operating revenues	<u>574</u>	<u>30,549</u>	<u>7,297</u>	<u>38,420</u>
Operating expenses:				
Cost of sales	127,552	-	114,608	242,160
Salaries	23,919	20,692	-	44,611
Employee benefits	-	-	-	-
Other purchased professional services	-	-	-	-
Repair and maintenance services	-	-	-	-
Other purchased services	-	-	-	-
Insurance	-	-	-	-
General supplies	-	-	-	-
Miscellaneous expenses	-	-	-	-
Depreciation	-	-	-	-
Total Operating expenses	<u>151,471</u>	<u>20,692</u>	<u>114,608</u>	<u>286,771</u>
Operating income (loss)	<u>(150,897)</u>	<u>9,857</u>	<u>(107,311)</u>	<u>(248,351)</u>
Non-operating revenues:				
State sources:				
Corporate Contribution	-	-	60,000	60,000
State school lunch program	3,690	-	-	3,690
State school breakfast program	2,068	-	-	2,068
Federal sources:				
National school breakfast program	32,873	-	-	32,873
National school lunch program	89,828	-	-	89,828
After School Snacks program	2,809	-	-	2,809
Food distribution program	-	-	-	-
Total non-operating revenues	<u>131,268</u>	<u>-</u>	<u>60,000</u>	<u>191,268</u>
Income (Loss) before transfers	<u>(19,629)</u>	<u>9,857</u>	<u>(47,311)</u>	<u>(57,083)</u>
Transfers in (out)	-	-	-	-
Change in net assets	<u>(19,629)</u>	<u>9,857</u>	<u>(47,311)</u>	<u>(57,083)</u>
Total net assets - beginning	<u>-</u>	<u>35,649</u>	<u>-</u>	<u>35,649</u>
Total net assets - ending	<u>\$ (19,629)</u>	<u>\$ 45,506</u>	<u>\$ (47,311)</u>	<u>\$ (21,434)</u>

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

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	Food Service	After Care Program	Transportation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ 30,549	\$ 7,297	\$ 37,846
Other receipts	574	-	-	574
Payments to employees	(23,919)	(20,692)	-	(44,611)
Payments for employee benefits	-	-	-	-
Payments to suppliers	(119,969)	-	(105,608)	(225,577)
Net cash used for operating activities	<u>(143,314)</u>	<u>9,857</u>	<u>(98,311)</u>	<u>(231,768)</u>
CASH FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund Loan or Loan Repayment Received	-	(9,857)	45,608	35,751
Contribution Received	-	-	-	-
State Sources	6,150	-	-	6,150
Federal Sources	128,003	-	-	128,003
Net cash provided by (used for) non-capital financing activities	<u>134,153</u>	<u>(9,857)</u>	<u>45,608</u>	<u>169,904</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Change in capital contributions	-	-	-	-
Purchases of capital assets	-	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(9,161)	-	-	(9,161)
Balance-beginning of year	19,831	-	-	19,831
Balance-end of year	<u>10,670</u>	<u>-</u>	<u>-</u>	<u>10,670</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:				
Operating income (loss)	(150,897)	9,857	(107,311)	(248,351)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
(Increase) decrease in other current assets	26,699	-	-	26,699
Increase (decrease) in accounts payable	(7,284)	-	9,000	1,716
Increase (decrease) in other liabilities	(11,832)	-	-	(11,832)
Total adjustments	<u>7,583</u>	<u>-</u>	<u>9,000</u>	<u>16,583</u>
Net cash used for operating activities	<u>\$ (143,314)</u>	<u>\$ 9,857</u>	<u>\$ (98,311)</u>	<u>\$ (231,768)</u>

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT E-1

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS

YEAR ENDED JUNE 30, 2008

	Title I Part A	Title I SIA	Title II Part A	Title II Part D	Title IV	Title V	IDEA Part B	Total
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-	-	-	-
Federal Sources	283,355	-	6,165	-	3,079	-	52,696	345,295
Total - Revenues	283,355	-	6,165	-	3,079	-	52,696	345,295
EXPENDITURES:								
Instruction								
Salaries	226,437	-	6,165	-	3,079	-	42,157	277,838
Purchased Professional-Educational Services	-	-	-	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-	-	-	-
General Supplies	15,923	-	-	-	-	-	-	15,923
Textbooks	-	-	-	-	-	-	-	-
Other Objects	-	-	-	-	-	-	-	-
Total Instruction	242,360	-	6,165	-	3,079	-	42,157	293,761
Support Services:								
Salaries of Other Professional Staff	-	-	-	-	-	-	-	-
Personal Services - Employee Benefits	25,870	-	-	-	-	-	10,539	36,409
Purchased Professional - Educational Services	-	-	-	-	-	-	-	-
Purchased Professional - Technical Services	-	-	-	-	-	-	-	-
Professional Development	-	-	-	-	-	-	-	-
Other Purchased Professional Services	15,125	-	-	-	-	-	-	15,125
Travel	-	-	-	-	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-	-	-	-	-
Supplies and Materials	-	-	-	-	-	-	-	-
Other Objects	-	-	-	-	-	-	-	-
Total Support Services	40,995	-	-	-	-	-	10,539	51,534
Program Administration	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Services:								
Buildings	-	-	-	-	-	-	-	-
Instructional Equipment	-	-	-	-	-	-	-	-
Non-instructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Services:	-	-	-	-	-	-	-	-
Total Expenditures	283,355	-	6,165	-	3,079	-	52,696	345,295
Excess (Deficiency) of Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL PROJECTS FUND

AT JUNE 30, 2008, THERE WAS NO CAPITAL PROJECT FUND.

PROPRIETARY FUNDS

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT G-1

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Food Service	After Care Program	Transportation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,804	\$ -	\$ -	\$ 12,804
Government grants receivable	23,517	-	-	23,517
Interfund receivable General /Fund	-	45,506	7,297	52,803
Other receivables	-	-	-	-
Inventories	-	-	-	-
Total Current Assets	<u>36,321</u>	<u>45,506</u>	<u>7,297</u>	<u>89,124</u>
Non-current assets:				
Furniture, machinery & equipment	-	-	-	-
Less: accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>36,321</u></u>	<u><u>45,506</u></u>	<u><u>7,297</u></u>	<u><u>89,124</u></u>
LIABILITIES				
Current Liabilities:				
Accounts payable	9,549	-	9,000	18,549
Interfund payable General Fund	<u>46,401</u>	<u>-</u>	<u>45,608</u>	<u>92,009</u>
Total liabilities	<u><u>55,950</u></u>	<u><u>-</u></u>	<u><u>54,608</u></u>	<u><u>110,558</u></u>
NET ASSETS				
Invested in capital assets, net	-	-	-	-
Unrestricted	<u>(19,629)</u>	<u>45,506</u>	<u>(47,311)</u>	<u>(21,434)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 36,321</u></u>	<u><u>\$ 45,506</u></u>	<u><u>\$ 7,297</u></u>	<u><u>\$ 89,124</u></u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

JUNE 30, 2008

	<u>Food Service</u>	<u>After Care Program</u>	<u>Transportation</u>	<u>Total</u>
Operating revenues:				
Charges for services:				
Fees	\$ -	\$ 30,549	\$ 7,297	\$ 37,846
Daily sales - non-reimbursable programs	574	-	-	574
Total operating revenues	<u>574</u>	<u>30,549</u>	<u>7,297</u>	<u>38,420</u>
Operating expenses:				
Cost of sales	127,552	-	114,608	242,160
Salaries	23,919	20,692	-	44,611
Employee benefits	-	-	-	-
Other purchased professional services	-	-	-	-
Repair and maintenance services	-	-	-	-
Other purchased services	-	-	-	-
Insurance	-	-	-	-
General supplies	-	-	-	-
Miscellaneous expenses	-	-	-	-
Depreciation	-	-	-	-
Total Operating expenses	<u>151,471</u>	<u>20,692</u>	<u>114,608</u>	<u>286,771</u>
Operating income (loss)	<u>(150,897)</u>	<u>9,857</u>	<u>(107,311)</u>	<u>(248,351)</u>
Non-operating revenues:				
State sources:				
Corporate Contribution	-	-	60,000	60,000
State school lunch program	3,690	-	-	3,690
State school breakfast program	2,068	-	-	2,068
Federal sources:				
National school breakfast program	32,873	-	-	32,873
National school lunch program	89,828	-	-	89,828
After School Snacks program	2,809	-	-	2,809
Food distribution program	-	-	-	-
Total non-operating revenues	<u>131,268</u>	<u>-</u>	<u>60,000</u>	<u>191,268</u>
Income (Loss) before transfers	<u>(19,629)</u>	<u>9,857</u>	<u>(47,311)</u>	<u>(57,083)</u>
Transfers in (out)	-	-	-	-
Change in net assets	<u>(19,629)</u>	<u>9,857</u>	<u>(47,311)</u>	<u>(57,083)</u>
Total net assets - beginning	<u>-</u>	<u>35,649</u>	<u>-</u>	<u>35,649</u>
Total net assets - ending	<u>\$ (19,629)</u>	<u>\$ 45,506</u>	<u>\$ (47,311)</u>	<u>\$ (21,434)</u>

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

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	Food Service	After Care Program	Transportation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ 30,549	\$ 7,297	\$ 37,846
Other receipts	574	-	-	574
Payments to employees	(23,919)	(20,692)	-	(44,611)
Payments for employee benefits	-	-	-	-
Payments to suppliers	(119,969)	-	(105,608)	(225,577)
Net cash used for operating activities	<u>(143,314)</u>	<u>9,857</u>	<u>(98,311)</u>	<u>(231,768)</u>
CASH FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund Loan or Loan Repayment Received	-	(9,857)	45,608	35,751
Contribution Received	-	-	-	-
State Sources	6,150	-	-	6,150
Federal Sources	128,003	-	-	128,003
Net cash provided by (used for) non-capital financing activities	<u>134,153</u>	<u>(9,857)</u>	<u>45,608</u>	<u>169,904</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Change in capital contributions	-	-	-	-
Purchases of capital assets	-	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(9,161)	-	-	(9,161)
Balance-beginning of year	19,831	-	-	19,831
Balance-end of year	<u>10,670</u>	<u>-</u>	<u>-</u>	<u>10,670</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:				
Operating income (loss)	(150,897)	9,857	(107,311)	(248,351)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
(Increase) decrease in other current assets	26,699	-	-	26,699
Increase (decrease) in accounts payable	(7,284)	-	9,000	1,716
Increase (decrease) in other liabilities	(11,832)	-	-	(11,832)
Total adjustments	<u>7,583</u>	<u>-</u>	<u>9,000</u>	<u>16,583</u>
Net cash used for operating activities	<u>\$ (143,314)</u>	<u>\$ 9,857</u>	<u>\$ (98,311)</u>	<u>\$ (231,768)</u>

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

FIDUCIARY FUNDS

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT H-1

STATEMENT OF FIDUCIARY NET ACTIVITIES

FIDUCIARY FUNDS

JUNE 30, 2008

	NJ Unemployment Benefit	Payroll Agency Fund	Total
ASSETS			
Cash and Cash Equivalents (Note 3a)	\$ -	\$ 10,248	\$ 10,248
Interfund Receivable	-	16,557	16,557
Total Assets	<u>-</u>	<u>26,805</u>	<u>26,805</u>
LIABILITIES			
Interfund Payable	-	-	-
Unemployment Insurance Payable	-	-	-
Payable to Student Groups	-	-	-
Payroll Deductions and Withholdings	-	26,805	26,805
Refundable Deposits	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>26,805</u>	<u>26,805</u>
NET ASSETS			
Held in trust for unemployment claims and other purposes	-	-	-
	<u>\$ -</u>	<u>\$ 26,805</u>	<u>\$ 26,805</u>

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

(COUNTY OF HUDSON)

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2008

	Unemployment Compensation Trust
ADDITIONS	
General Fund Appropriations	
Other Revenues	\$ -
Other	-
Total Contributions	<u>-</u>
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	-
Dividends	-
Less investment expense	-
Net investment earnings	<u>-</u>
Total additions	<u>-</u>
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	<u>-</u>
Change in net assets	-
Net assets-beginning of the year	<u>-</u>
Net assets-end of year	<u><u>\$ -</u></u>

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

STUDENT ACTIVITY AGENCY FUND

YEAR ENDED JUNE 30, 2008

	<u>Balance 7/1/2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2008</u>
ASSETS				
Cash and Cash Equivalents	\$ 767	\$ 13,118	\$ 11,246	\$ 2,639
Interfund Receivable	<u>1,306</u>	<u>969</u>	<u>1,306</u>	<u>969</u>
Total Assets	<u><u>2,073</u></u>	<u><u>14,087</u></u>	<u><u>12,552</u></u>	<u><u>3,608</u></u>
LIABILITIES				
Due to Student Activity	<u>2,073</u>	<u>14,087</u>	<u>12,552</u>	<u>3,608</u>
Total Liabilities	<u><u>\$ 2,073</u></u>	<u><u>\$ 14,087</u></u>	<u><u>\$ 12,552</u></u>	<u><u>\$ 3,608</u></u>

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

PAYROLL AGENCY FUND

YEAR ENDED JUNE 30, 2008

	Balance 7/1/2007	Receipts	Disbursements	Balance 6/30/2008
ASSETS				
Cash and Cash Equivalents	\$ 23,753	\$ 1,426,001	\$ 1,439,506	\$ 10,248
Interfund Receivable	42,657	16,557	42,657	16,557
Total Assets	<u>66,410</u>	<u>1,442,558</u>	<u>1,482,163</u>	<u>26,805</u>
LIABILITIES				
Interfund Payable	-	-	-	-
Payroll Deductions and Withholdings	66,410	1,442,558	1,482,163	26,805
Total Liabilities	<u>\$ 66,410</u>	<u>\$ 1,442,558</u>	<u>\$ 1,482,163</u>	<u>\$ 26,805</u>

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

LONG-TERM DEBT

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT I-1

LONG-TERM DEBT

YEAR ENDED JUNE 30, 2008

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1</u>	<u>ISSUED</u>	<u>PRINCIPAL PAYMENTS</u>	<u>BALANCE JUNE 30</u>
			<u>DATE</u>	<u>AMOUNT</u>					
New Jersey Economic Development Series 2006		\$ 5,000,000	6/30/2009	\$ 177,703	4.80%	\$ 4,650,974	\$ -	\$ (168,695)	\$ 4,482,279
Schomburg Charter School			6/30/2010	186,546					
<i>Sold to Commerce Bank NA</i>			6/30/2011	195,873					
			6/30/2012	205,667					
			6/30/2013	215,461					
			Thereafter	3,501,029					
			Total	4,482,279					4,482,279
The Reinvestment Fund (TRF)		\$ 2,000,000	6/30/2009	\$ 178,245	7.49%	\$ 1,670,372	\$ -	\$ (165,245)	\$ 1,505,127
			6/30/2010	191,859					
			6/30/2011	206,732					
			6/30/2012	222,760					
			6/30/2013	231,234					
			Thereafter	474,297					
			Total	1,505,127					1,505,127

STATISTICAL SECTION

The Charter School has been in operation for seven (7) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than 10 years. Therefore, only statistical data for three years are available and have been presented. Each year thereafter, an additional year's data will be included up to ten years.

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-1

NET ASSETS BY COMPONENT

Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
Governmental activities					
Invested in capital assets, net of related debt	\$ 840,329	\$ 851,412	\$ 739,427	\$ 340,478	\$ -
Restricted	-	-	-	-	-
Unrestricted	140,146	125,681	216,922	371,054	35,674
Total governmental activities net assets	<u>\$ 980,475</u>	<u>\$ 977,093</u>	<u>\$ 956,349</u>	<u>\$ 711,532</u>	<u>\$ 35,674</u>
Business-type activities	\$ -	\$ -	\$ -	\$ -	\$ -
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted	-	-	-	-	-
Unrestricted	(21,434)	35,649	34,439	26,234	19,889
Total business-type activities net assets	<u>\$ (21,434)</u>	<u>\$ 35,649</u>	<u>\$ 34,439</u>	<u>\$ 26,234</u>	<u>\$ 19,889</u>
School-wide					
Invested in capital assets, net of related debt	\$ 840,329	\$ 851,412	\$ 739,427	\$ 340,478	\$ -
Restricted	-	-	-	-	-
Unrestricted	118,712	161,330	251,361	397,288	45,573
Total charter school net assets	<u>\$ 959,041</u>	<u>\$ 1,012,742</u>	<u>\$ 990,788</u>	<u>\$ 737,766</u>	<u>\$ 45,573</u>

Notes

The Exhibit J-1 should contain information for the last 10 years. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44. However, the Charter School which implemented GASB 34 in 6/30/04, opted to report retroactively.

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-2

NET ASSETS BY COMPONENT

Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
Expenses					
Governmental activities					
Instruction					
Regular	\$ 1,094,762	\$ 1,830,334	\$ 1,810,654	\$ 2,098,840	\$ 2,307,757
Special education	-	-	-	-	-
Other special education	-	-	-	-	-
Vocational	-	-	-	-	-
Other instruction	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-
Audit/continuing education programs	-	-	-	-	-
Support Services:					
Tuition	-	-	-	-	-
Student & instruction related services	669,652	954,059	1,031,624	1,642,329	1,720,797
General administration	-	-	-	-	-
School Administrative Services	776,907	645,307	1,063,238	993,813	939,949
Central Services	-	-	-	-	-
Administrative information technology	-	-	-	-	-
Plant Operations and Maintenance	347,095	319,136	359,265	142,104	-
Pupil transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Special Schools	-	-	-	-	-
Charter Schools	-	-	-	-	-
Interest on long-term debt	342,746	362,049	380,728	102,782	-
Unallocated depreciation	204,080	204,080	253,470	65,492	-
Total governmental activities expense	<u>3,435,242</u>	<u>4,314,965</u>	<u>4,898,979</u>	<u>5,045,360</u>	<u>4,968,503</u>
Business-type activities:					
Food service	151,471	118,971	162,158	181,799	135,222
Transportation	114,608	-	-	-	-
After Care Program	20,692	19,711	24,013	42,612	27,725
Total business-type activities expense	<u>286,771</u>	<u>138,682</u>	<u>186,171</u>	<u>224,411</u>	<u>162,947</u>
Total district expenses	<u>3,722,013</u>	<u>4,453,647</u>	<u>5,085,150</u>	<u>5,269,771</u>	<u>5,131,450</u>
Program Revenues					
Governmental activities					
Charges for services:					
Instruction (tuition)	-	-	-	-	-
Pupil transaction	-	-	-	-	-
Central and other support services	-	-	-	-	-
Operating grants and contributions	345,295	622,208	599,680	680,300	772,195
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>345,295</u>	<u>622,208</u>	<u>599,680</u>	<u>680,300</u>	<u>772,195</u>
Business-type activities:					
Charges for services					
Food service	574	2,452	2,976	3,940	7,721
Transportation service	7,297	-	-	-	-
After Care Program	30,549	20,921	32,218	48,947	47,624
Operating grants and contributions	-	-	-	-	-

NET ASSETS BY COMPONENT

Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
Expenses					
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	38,420	23,373	35,194	52,887	55,345
Total district program revenues	<u>383,715</u>	<u>645,581</u>	<u>634,874</u>	<u>733,187</u>	<u>827,540</u>
 Net (Expense)/Revenue					
Governmental activities	(2,853,289)	(3,692,757)	(4,299,299)	(4,365,060)	(4,196,308)
Business-type activities	(248,351)	(115,309)	(150,978)	(171,524)	(107,602)
Total district-wide net expense	<u>(3,101,640)</u>	<u>(3,808,066)</u>	<u>(4,450,277)</u>	<u>(4,536,584)</u>	<u>(4,303,910)</u>
 General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes net	792,665	728,006	926,764	949,658	1,207,316
Taxes levied for debt service	-	-	-	-	-
Grants and contributions	2,099,623	2,514,021	3,269,114	3,489,527	3,339,358
Payments in lieu of taxes	-	-	-	-	-
Tuition Received	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous income	65,755	40,353	27,662	38,208	49,978
Transfers	-	-	-	-	-
Total governmental activities	<u>2,958,043</u>	<u>3,282,380</u>	<u>4,223,540</u>	<u>4,477,393</u>	<u>4,596,652</u>
Business-type activities:					
Grants and contributions	191,268	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>191,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>3,149,311</u>	<u>3,282,380</u>	<u>4,223,540</u>	<u>4,477,393</u>	<u>4,596,652</u>
 Change in Net Assets					
Governmental activities	104,754	(410,377)	(75,759)	112,333	400,344
Business-type activities	(57,083)	(115,309)	(150,978)	(171,524)	107,602
Total district	<u>\$ 47,671</u>	<u>\$ (525,686)</u>	<u>\$ (226,737)</u>	<u>\$ (59,191)</u>	<u>\$ 507,946</u>

Notes

Exhibit J-2 is a ten year schedule. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44. However, the Charter School which implemented GASB 34 in 6/30/04, opted to report retroactively.

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-3

FUND BALANCES, GOVERNMENTAL FUNDS

Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
General Fund					
Reserved	\$ 751,329	\$ 851,412	\$ 739,427	\$ 340,478	\$ -
Unreserved	230,435	125,681	251,361	397,287	45,573
Total general fund	<u>\$ 981,764</u>	<u>\$ 977,093</u>	<u>\$ 990,788</u>	<u>\$ 737,765</u>	<u>\$ 45,573</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes

Exhibit J-3 is a ten year schedule. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44. However, the Charter School implemented GASB 34 in 6/30/04 and opted to report retroactively.

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Four Fiscal Years
(Unaudited)

Function	2008	2007	2006	2005	2004
Revenues					
Local tax levy	\$ 792,665	\$ 728,006	\$ 926,764	\$ 949,658	\$ 1,207,316
Miscellaneous	65,755	40,353	27,662	38,208	49,978
State sources	2,099,623	2,514,021	3,273,114	3,493,527	3,343,358
Federal sources	345,295	622,208	595,680	676,299	768,195
Total revenue	<u>3,303,338</u>	<u>3,904,588</u>	<u>4,823,220</u>	<u>5,157,692</u>	<u>5,368,847</u>
Expenditures					
Instruction	1,094,762	1,524,665	1,810,654	2,098,840	2,307,757
Administrative cost	1,210,209	1,348,301	1,443,966	1,096,595	939,949
Support services	669,652	893,021	1,031,624	1,642,329	1,720,797
TPAF reimbursed	19,881	25,762	95,709	68,579	87,028
Capital Outlay	347,095	319,136	359,265	142,104	-
Total expenditures	<u>3,341,599</u>	<u>4,110,885</u>	<u>4,741,218</u>	<u>5,048,447</u>	<u>5,055,531</u>
Excess (Deficiency) of revenues over (under) expenditures	(38,261)	(206,297)	82,002	109,245	313,316
Other financing sources/(uses):					
Long term debt	-	-	-	-	-
Operating transfers in/(out)	-	-	-	-	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (38,261)</u>	<u>\$ (206,297)</u>	<u>\$ 82,002</u>	<u>\$ 109,245</u>	<u>\$ 313,316</u>
Debt service as a percentage of noncapital expenditures	11.51%	10.04%	8.69%	2.09%	N/A

Source: Charter School's records.

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-9

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Four Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Note (BANs)	Capital Leases			
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
2005	6,931,939	-	-	-	-	6,931,939	0.149%	357
2006	6,635,982	-	-	-	-	6,635,982	0.143%	342
2007	6,321,346	-	-	-	-	6,321,346	0.136%	318
2008	5,965,567	-	-	-	-	5,965,567	0.128%	307

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Four Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate</u>
2004	239,097	4,640,872,770	19,410	6.20%
2005	239,097	4,640,872,770	19,410	6.20%
2006	239,097	4,640,872,770	19,410	6.20%
2007	239,097	4,640,872,770	19,410	6.20%
2008	239,097	4,640,872,770	19,410	6.20%

Sources:

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

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

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

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-15

PRINCIPAL EMPLOYEES

Current Year

2008			
Employer	Employees	Rank [Optional]	Percentage of Total Municipal Employment
HealthCare Staffing and Consulting	2000	1	1.67%
Deutsche Bank Trust Co., NJ Ltd	1833	2	1.53%
Insurance Service Office, Inc.	1217	1	1.01%
Fleet, NJ Company Development Corp.	1000	4	0.83%
Equiserve, Inc.	850	5	0.71%
Provident Bank	850	6	0.71%
Bon Secours NJ Health System, Inc.	818	7	0.68%
JP Morgan Chase Bank	600	8	0.50%
Port Authority Trans-Hudson, Inc.	600	9	0.50%
Saint Francis Hospita, Inc.	600	10	0.50%
National Discount Broker Group, Inc.	568	11	0.47%
Lehman Commercial Paper, Inc.	525	12	0.44%
US News Worked Report, LLC	500	13	0.42%
Top Job Personnel, Inc.	500	14	0.42%
	12,461		10.39%

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Jersey-City-Economy.html>

FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEE BY FUNCTION/PROGRAM

LAST FOUR YEARS

<u>Function/Program</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction:					
Regular	12	21	24	24	24
Special education	2	2	3	3	3
Other special education	1	1	1	1	1
Vocational	-	-	-	-	-
Other instruction	4	-	-	-	-
Nonpublic school programs	-	5	9	11	6
Adult/continuing education program					
Support Services:					
Student & instruction related services	6	6	6	6	6
General administration	3	3	3	3	3
School administrative services	3	3	3	3	3
Central services	-	-	-	-	-
Administrative Information Technology	-	1	1	1	1
Plant operations and maintenance	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Other support services	2	2	2	2	2
Special Schools	-	-	-	-	-
Food Service	2	-	-	-	-
Child Care	-	-	-	-	-
Total	<u>35</u>	<u>44</u>	<u>52</u>	<u>54</u>	<u>49</u>

Source: Charter School's Records

OPERATING STATISTICS

LAST SEVEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADE) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2001	412	4,294,517	10,424	N/A	32	1:23	1:22	412	394	N/A	95.63
2002	437	4,697,500	10,749	3.13	18	1:19	1:22	437	406	6.07%	92.91
2003	399	4,140,796	10,378	-3.46	27	1:19	1:21	399	368	-8.70%	92.23
2004	471	5,003,033	10,622	2.35	33	1:19	1:23	471	436	18.05%	92.57
2005	462	4,808,561	10,408	-2.01	33	1:22	1:24	462	455	-1.91%	98.48
2006	415	4,821,595	11,618	11.63	33	1:22	1:24	415	407	-10.17%	98.00
2007	317	3,765,987	11,880	2.25	29	1:20	1:24	317	311	-23.61%	98.00
2008	304										

Sources: Charter School's Records

Note: Enrollment based on annual October district count.

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-18

SCHOOL BUILDING INFORMATION

LAST SEVEN FISCAL YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Building located at 508 Grand Street Jersey City, New Jersey							
Square Feet	67,964	67,964	67,964	67,964	67,964	67,964	67,964
Capacity (students)	500	500	500	500	500	500	500
Enrollment	301	318	412	462	471	399	412

Source: Charter School's Records

SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY

LAST FOUR YEARS

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES**

2004	\$	160,755
2005		188,846
2006		208,806
2007		319,136
2008		347,095
Total	\$	<u>1,224,638</u>

(COUNTY OF HUDSON)

INSURANCE SCHEDULE

JUNE 30, 2008

(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
Premises operations	\$ 1,000,000	\$ 10,000
Medical payments	5,000	-
Personnel injury	1,000,000	-
General aggregate	2,000,000	-
Fire damage liability	300,000	-
Employee benefits liability	1,000,000	-
Workman's compensation	1,000,000	10,000
Student Accident	1,000,000	-
Catastrophic accident medical coverage	5,000,000	25,000
Educators Legal Liability	1,000,000	1,000
Building and contents	7,400,000	1,000
Hired and non-owned auto	1,000,000	-
Employee Dishonesty	250,000	1,000

Source: Charter School's Records

SINGLE AUDIT SECTION

EXHIBIT K-1

**INDEPENDENT AUDITOR'S 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***

October 27, 2008

The Honorable President and
Members of the Board of Trustees
Schomburg Charter School
County OF Hudson, New Jersey

We have audited the financial statements of the Schomburg Charter School, in the County of Hudson, State of New Jersey (the "Charter School") as of and for the fiscal year ended June 30, 2007, and have issued our report thereon, dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Schomburg Charter School Board of Trustees internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schomburg Charter School Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schomburg Charter School Board of Trustees' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

We consider the deficiency described as 2008-1 in the accompanying schedule of findings and questioned costs to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

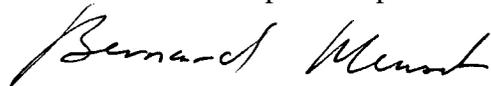
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Trustees of the Schomburg Charter School in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 27, 2008.

This report is intended for the information of the management and Board of Trustees of the Charter School, the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Bernard Mensah, CPA
Licensed Public School Accountant
NO. 20CS00226500
Maligu Associates, LLC

EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

October 27, 2008

The Honorable President and
Members of the Board of Trustees
Schomburg Charter School
County of Hudson, New Jersey

Compliance

We have audited the compliance of the board of Trustees of Schomburg Charter School, in the County of Hudson, State of New Jersey (the "Charter School"), with the types of compliance requirements described in the US. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2008. The Charter School's Board of Trustees major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and Questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Charter School Board of Trustees. Our responsibility is to express an opinion on Charter School's Board of Trustees compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey –OMB's Circular 04-04, 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 major and federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's Board of Trustees compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's Board of Trustees compliance with those requirements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04 – CONTINUED

In our opinion, The Board of Trustees of Schomburg Charter School, in the County of Hudson, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 08-02.

Internal Control Over Compliance

The management of the Board of Trustees of Schomburg Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School Board of Trustees internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Schomburg Charter School Board of Trustees' internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies as defined below.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04 – CONTINUED

The Schomburg Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Charter School's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Board of Trustees, management, the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Bernard Mensah, CPA
Licensed Public School Accountant
NO. 20CS00226500
Maligu Associates, LLC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NO.	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2007			CARRY- OVER (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS' BALANCE	ADJUSTMENTS/ REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2008		
				DEFERRED REVENUE (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR							(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR
Special Revenue Fund:														
U.S. Department of Education														
Passed-through State Dept. of Education:														
Title I-Grants to Local Educational Agencies														
Title I-SIA	84.010	\$ 401,571	9/1/07-8/31/08	\$ -	\$ -	\$ -	\$ 401,571	\$ 283,355	\$ -	\$ -	\$ -	\$ 118,216	\$ -	\$ -
Title II-Part A Eisenhower Professional Development	84.010	28,545	9/1/07-8/31/08	-	-	-	28,545	6,165	-	-	-	-	22,380	-
Title II-Part D Eisenhower Professional Development	84.168	2,906	9/1/07-8/31/08	-	-	-	2,906	-	-	-	-	-	2,906	-
National Activities														
Title IV -Innovative Education Program Strategies	84.186	8,573	9/1/07-8/31/08	-	-	-	8,573	3,079	-	-	-	-	5,494	-
Total No Child Left Behind														
Title V-Innovative Education Program Strategies	84.298	821	9/1/07-8/31/08	-	-	-	821	-	-	-	-	-	821	-
Total No Child Left Behind		442,416		-	-	-	442,416	292,599	-	-	-	-	149,817	-
Individuals with Disabilities Education Act, Part B-Bas	84.027	68,406	9/1/07-8/31/08	-	-	-	68,406	52,696	-	-	-	-	15,710	-
		68,406		-	-	-	68,406	52,696	-	-	-	-	15,710	-
Total U.S. Department of Education		510,822		-	-	-	510,822	345,295	-	-	-	-	165,527	-
U.S. Department of Agriculture														
Pass-through State Dept of Education:														
National school breakfast program	10.553	32,873	9/1/06-6/30/07	(8,010)	-	-	35,291	32,873	-	-	-	(5,592)	-	-
National school lunch program	10.555	89,828	9/1/06-6/30/07	(16,099)	-	-	89,508	89,828	-	-	-	(16,419)	-	-
Child and Adult Care program (After School snack)	10.559	2,809	9/1/06-6/30/07	(686)	-	-	3,007	2,809	-	-	-	(488)	-	-
Total U.S. Department of Agriculture		125,510		(24,795)	-	-	127,806	125,510	-	-	-	(22,499)	-	-
Total Expenditures of Federal Awards		\$ 636,332		\$ (24,795)	\$ -	\$ -	\$ 638,628	\$ 470,805	\$ -	\$ -	\$ -	\$ (22,499)	\$ 165,527	\$ -

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

SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT K-4

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED JUNE 30, 2008

STATE FINANCIAL ASSISTANCE PASS-THROUGH GRANTOR PROGRAM TITLE	GRANT/STATE OR PROJECT NOS.	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2007		CARRY- OVER (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS' BALANCE	ADJUSTMENTS/ REPAYMENT OF PRIOR YEAR'S BALANCES	BALANCE AT JUNE 30, 2008			MEMO	
				DEFERRED REVENUE (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR						(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education															
General Fund															
Core Curriculum Standard Aid	495-034-5120-022	\$ 2,177,053	7/1/07-6/30/08	\$ -	\$ 108,316	\$ -	\$ 2,177,053	\$ 2,109,882	\$ 99,509	\$ -	\$ -	\$ -	\$ 75,978	\$ -	\$ 2,109,882
Special Education Aid	495-034-5120-011	88,075	7/1/07-6/30/08	-	-	-	88,075	88,075	-	-	-	-	-	-	88,075
Early Childhood Program Aid	495-034-5120-025	222,796	7/1/07-6/30/08	-	-	-	222,796	222,796	-	-	-	-	-	-	222,796
Demonstrably Effec. Program Aid	495-034-5064-002	126,260	7/1/07-6/30/08	-	-	-	126,260	126,260	-	-	-	-	-	-	126,260
Charter School Aid - non-Public/ Abbot/T&E Gap/Tech	495-034-5120-071	225,743	7/1/07-6/30/08	-	-	-	225,743	225,743	-	-	-	-	-	-	225,743
Teacher's pension and Annuity Fund	495-034-5095-006	41,453	7/1/07-6/30/08	-	-	-	41,453	41,453	-	-	-	-	-	-	41,453
Technology Aid	495-034-5120-052	10,908	7/1/07-6/30/08	-	-	-	10,908	10,908	-	-	-	-	-	-	10,908
Total General Fund		2,892,288		-	108,316	-	2,692,288	2,825,117	99,509	-	-	-	75,978	-	2,825,117
General Fund:															
State School Lunch Program	100-010-3350-023	3,690	7/1/07-6/30/08	(673)	-	-	3,687	-	-	-	(676)	-	-	-	-
State School Breakfast Program	100-010-3350-021	2,068	7/1/07-6/30/08	(540)	-	-	1,932	-	-	-	(352)	-	-	-	-
Total Enterprise Fund		5,758		(1,213)	-	-	5,619	-	-	-	(1,028)	-	-	-	-
Total State Financial Assistance		\$ 2,898,046		\$ (1,213)	\$ 108,316	\$ -	\$ 2,697,907	\$ 2,825,117	\$ 99,509	\$ -	\$ (1,028)	\$ -	\$ 75,978	\$ -	\$ 2,825,117

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

**NOTE TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. GENERAL

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

NOTE . BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the modified accrual basis of accounting with the exception of those recorded in the Enterprise Fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board'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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE 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 expenditures have been made.

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

**SCHOMBURG CHARTER SCHOOL
(COUNTY OF HUDSON)**

**NOTE TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 3 RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS
-CONTINUED**

Awards and financial assistance revenues are reported in the Board's basic financial statements on a GARP basis as presented on the following page:

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$165,527 for the special revenue fund. See Note 1 (the 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.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,099,623	\$ 2,099,623
Special Revenue Fund	345,295	-	345,295
Enterprise Fund	125,510	5,758	131,268
Total	<u>\$ 470,805</u>	<u>\$ 2,105,381</u>	<u>\$ 2,576,186</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 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2008.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness (es)? X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness (es) identified? _____ Yes X No

Reportable condition(s) identified that are not considered to be material weakness (es)? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number 84.010 Name of Federal Program or Cluster Title I – Grants to Local Education Agencies

Dollar threshold used to distinguish Between type A and type B programs \$300,000

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

State Awards-continued

Dollar threshold used to distinguish between Type A
and Type B programs

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

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

Unqualified

Internal control over major programs:

Material weakness(es) identified

_____ Yes X No

Reportable condition(s) identified that are not
considered to be material weakness(es)?

 X Yes _____ No

Any audit findings disclosed that are required to
be reported in accordance with NJOMB Circular
Letter 04-04

 X Yes _____ No

Identification of Major Programs:

State Grant/Project Numbers

Name of State Program

07-495-034-5120-022
07-495-034-5120-071

Core Curriculum Standard Aid
Non-Public/Abbott/T&E Gap/Tech

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDING

Reference 08-01

General Ledger Accounts Reconciliations

Condition

Assets, liabilities and net asset accounts were not reconciled during the year. The Charter School hired a new School Business Administrator after year-end and she has now completed account reconciliations and has made adjustments to properly state the balances at June 30, 2008.

Criteria

Federal and state grant agreements require that the grantees must have a financial system that provide for accurate, current and complete disclosure for financial results of each sponsored programs.

Effect

Because the account balances were not being analyzed on a monthly basis, the Charter School's financial statements and other fiscal reports were not fairly stated during the year.

Recommendation

We recommend the Charter School post transactions timely and analyze account balances to ensure that they reconcile to the underlying information on a monthly basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2008

**SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS**

CURRENT YEAR

Reference: 08-02

<u>State or Project No.</u>	<u>Name of State Program</u>
07-495-034-5120-022	Core Curriculum Standards Aid
07-495-034-5120-071	Nonpublic/Abbott/T&E Gap/Tech

Requirement

The Charter School Act of 1995 requires that "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 a presumptive amount equal to 90% of the per pupil amount for a specific grade level in the district".

The Charter School must complete the Enrollment Counts in accordance with the instructions provided by the Division of Finance. The school district of residence must enroll charter school students in the school register and treat them as resident students for purposes of state aid. The Charter School's responsibility is to ensure the attendance of those students enrolled in their school in accordance with N.J.A.C. 6A:11-4.3. A student who has been absent 10 days for an unknown reason must be reported as a dropout and the charter school must immediately notify the school district of this condition in writing.

All copies of source documents related to the determination of the state aid (i.e. Application for Free and Reduced Meals and Free Milk, workpapers listing all special education students by tier, workpapers listing bilingual education students) must be maintained in both the school district of residence and the charter school.

A charter school shall submit each count through the DOEnet Enrollment Count System for purposes of determining average daily enrollment (ADE). Accurate maintenance of the enrollment system is vital so that the resident districts rely on the accuracy of the payment schedules.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2008**

**SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS –CONTINUED**

Reference: 08-02 - Continued

Condition

A number of exceptions were noted regarding enrollment: The following exceptions were noted regarding enrollment:

- Six students were listed in the wrong grade on the enrollment report.
- Three students appeared twice on the enrollment report through the DOEnet enrollment count system.

Cause

Information entered in the DOEnet system was not reviewed for accuracy.

Effect

Payment of State aid to the Charter School may have been overstated as a result of erroneous information.

Recommendation

We recommend that the Charter School enhance its review and reconciliation procedures with respect to its enrollment count report against the DOE net so that appropriate actions can be initiated to adjust the reports in a timely manner.

Management Response

Effective immediately, student files will be reviewed for completeness. Staff responsible for enrollment and attendance will be directed to adhere to enrollment count and review procedures to avoid errors.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2008

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT

A. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS

Condition

1. For employees whose salaries are funded through the Title I Program must maintain time and activity records to support the expenditures charged to the program.
2. Expenditures were improperly charged to Title I program and therefore disallowed.
3. The charter school did not expend any funds budgeted for Title I SIA in fiscal year 2005-2006.
4. Various expenditures were incurred and charged to the Title I, Part A program without supporting documentation and are therefore disallowed.
5. The charter's reimbursement of employee's TPAF/FICA expenditures for the school year 2005-2006 was miscomputed.

Current Year Status

- Management reviewed expenses charged to Title I grant and made adjustments to removed any unallowable charges before year end and as a result federal program funds were not spent but deferred in fiscal year 2007-2008.
- Employees who worked in Title I program signed time record to certify that they were assigned to work in the program.
- TPAF/FICA expenditures charged to federal programs were computed accurately.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FISCAL YEAR ENDED JUNE 30, 2008**

Reference 2007-02

Condition

Our payroll test disclosed that the following items were not in the Personnel Files of employees selected for review:

- 4 of 25 employees' signed contract, as required by N.J.S.A. 18A:27;
- 25 of 25 employees' physical/TB exam results
- 8 of 15 teachers selected did not have proof of degrees on file

Current Year Status

It appears that the corrective action implemented by management was not effective since seven (7) out of twelve (12) files selected for testing did not contain employment contracts and management could not locate the files. There was no indication that timesheets were reviewed and approved by supervisors.

Referenced 2006-03

Condition

The following exceptions were noted regarding enrollment:

- Two students were not reported in the DOEnet
- One student who transferred out was reported in the DOEnet for the full year
- One student was reported twice in DOE net
- Attendance records for four students could not be located
- The grade level for 14 students according to the Attendance Summary did not agree with their grades in the DOE net report;
- IEPs for four special education students were not available for review;
- Seven students' eligibility determination and/or consent by parent or guardian were not available for review; and
- Two special education students with IEP were not classified as special education students in the DOE net.
- Ten special education students were classified in the DOE net as such for the whole year. However, the dates of the IEPs were less than 181 days

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FISCAL YEAR ENDED JUNE 30, 2008**

- Birth certificates of 28 students were not on file.
- Two student files were not available for review.
- Report cards of 12 students were not on file.

Current Year Status: This condition was partially corrected. We noted during the fiscal year 2007-2008 audit that improvements is still needed in student enrollments procedures – referenced as item 2008-02

Reference 2006-04

Condition

Eligibility of students for "Free Meals" could not be determined for 453 enrolled students because all Applications for Free/Reduced meals could not be located Therefore, valid applications, which contain all required information and signatures as required under the National School Lunch Act and the Child Nutrition Act were not available for review.

Current Year Status:

It appears that the corrective action was effective and that finding was corrected in 2007-2008