



**UNIVERSITY  
HEIGHTS  
CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

*JUNE 30, 2008*

**PREPARED BY**

**UNIVERSITY HEIGHTS CHARTER SCHOOL**

# UNIVERSITY HEIGHTS CHARTER SCHOOL

## TABLE OF CONTENTS

### PAGE NO.

#### **INTRODUCTORY SECTION**

Letter of Transmittal .....	1-7
Organizational Chart.....	8
Roster of Officials.....	9
Consultants and Advisors .....	10

#### **FINANCIAL SECTION**

Report of Independent Auditors.....	12-13
-------------------------------------	-------

#### **Required Supplementary Information – Part I**

Management’s Discussion and Analysis .....	14-22
--	-------

#### **Basic Financial Statements**

##### Charter School-wide Financial Statements:

A-1 Statement of Net Assets.....	25
A-2 Statement of Activities.....	26

##### Fund Financial Statements:

#### **GOVERNMENTAL FUNDS:**

B-1 Balance Sheet.....	29
B-2 Combined Statement of Revenues, Expenditures, and Changes Fund in Fund Balance	30
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	31

#### **PROPRIETARY FUNDS:**

B-4 Statement of Net Assets.....	33
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	34
B-6 Statement of Cash Flows .....	35

# UNIVERSITY HEIGHTS CHARTER SCHOOL

## TABLE OF CONTENTS

	<u>PAGE NO.</u>
<b>FIDUCIARY FUNDS:</b>	
B-7 Statement of Fiduciary Net Assets.....	37
B-8 Statement of Changes in Fiduciary Net Assets .....	38
Notes to Financial Statements.....	40-61
<b>Required Supplementary Information – Part II</b>	
<b>C. Budgetary Comparison Schedules:</b>	
C-1 Budgetary Comparison Schedule – General Fund.....	63
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	64
<b>Notes to the Required Supplementary Information</b>	
C-3 Budget-to-GAAP Reconciliation.....	66
<b>Other Supplementary Information</b>	
D. <u>School Level Schedules:</u> .....	Not Applicable
E. <u>Special Revenue Fund:</u>	
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis.....	70
F. <u>Capital Projects Fund:</u> .....	Not Applicable
G. <u>Proprietary Funds:</u>	
Enterprise Fund:	
G-1 Combining Statement of Net Assets .....	73
G-2 Combining Statements of Revenues, Expenses and Changes in Fund Net Assets .....	74
G-3 Combining Statements of Cash Flows.....	75
H. <u>Fiduciary Fund:</u>	
H-1 Combining Statement of Fiduciary Net Assets.....	77
H-2 Combining Statement of Changes in Fiduciary Net Assets.....	78
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....	79

# UNIVERSITY HEIGHTS CHARTER SCHOOL

## TABLE OF CONTENTS

### PAGE NO.

I.	<u>Long - Term Debt:</u>	
I-1	<b>Not Applicable</b> .....	
I-2	Schedule of Obligations Under Renovation .....	81
I-3	Debt Service Fund Budgetary Comparison Schedule – <b>Not Applicable</b> .....	
J.	<u>Statistical Section:</u>	
J-1	Net Assets by Component.....	83
J-2	Changes in Net Assets .....	84
J-3	Fund Balances – Governmental Funds .....	85
J-4	Changes in Fund Balances – Governmental Funds .....	86
J-9	Ratios of Outstanding Debts by Type.....	87
J-13	Demographics and Economic Statistics.....	88
J-14	Principal Employers.....	89
J-15	Full-time Equivalent Charter School Employees by Function/Program .....	90
J-16	Operating Statistics .....	91
J-17	School Building Information .....	92
J-18	Insurance Schedule .....	93
J-19	General Fund, Other Local Revenue by Source .....	94
J-20	Schedule of Allowable Maintenance Expenditures by School Facility.....	95

### SINGLE AUDIT SECTION

K-1	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	97-98
K-2	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with USOMB Circular A-133 and New Jersey OMB Circular 04-04.....	99-100
K-3	Schedule of Expenditures of Federal Awards, Schedule A .....	101
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B.....	102
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.....	103-104
K-6	Schedule of Findings and Questioned Costs.....	105-108
K-7	Summary Schedule of Prior Year Audit Findings and Questioned Cost .....	109



---

74 HARTFORD STREET NEWARK, NEW JERSEY 07103 TEL: 973-623-1965 FAX: 973-623-8511 WWW.UHCS-NEWARK.ORG

October 24, 2008

The Commissioner  
New Jersey Department of Education  
Riverview Executive Plaza – Bldg. 100  
P. O. Box 500  
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the University Heights 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 general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The 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's Circular 04-04, "*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 University Heights Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

The Charter School provides a full range of educational services appropriate to grade levels Kindergarten through fifth grade. These include regular as well as special education and health and nutrition services that support the total education of the student and their families. The Charter School completed the 2007-2008 fiscal year with an average daily enrollment of 231 students, which is 114 students more than the average daily enrollment for the school year 2006-2007. The following details the changes in student enrollment of the school over the last two years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2007-2008	231	97.44%
2006-2007	117	N/A

2) **ECONOMIC CONDITION AND OUTLOOK**

The Charter School is located in the City of Newark, which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company.

Newark is the site of the University of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

2) **ECONOMIC CONDITION AND OUTLOOK – CONTINUED**

Like other urban areas, Newark has experienced a decline in its manufacturing base. This phenomenon has caused significant unemployment and underemployment amongst its indigenous working class population. Although Newark has experienced growth in its service sector, this has not had substantial impact on the City's employment rate.

The City of Newark is obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of any redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. Due to the increase in enrollment and addition of grades we have leased additional facilities at our current location.

3) **MAJOR INITIATIVES**

The University Heights Charter School has completed its second school term. The Charter School's After School Programs continue to grow.

The New Jersey Department of Education awarded us the No Child Left Behind Program during the year ended June 30, 2008.

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.

4) **INTERNAL ACCOUNTING CONTROLS - CONTINUED**

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.

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.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2008.

6) **ACCOUNTING SYSTEM AND REPORT**

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (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 funds for the fiscal years ended June 30, 2008 and the amount of increases in relation to prior year's revenues:

**SUMMARY OF THE GENERAL FUND  
AND SPECIAL REVENUE FUND REVENUES**

<u>Revenue</u>	<u>2008</u>	<u>2007</u>	<u>Increase/ (decrease)</u>	<u>% Change</u>
Local sources	\$ 511,867	\$ 162,304	\$ 349,563	215.38%
State sources	2,149,195	1,573,846	575,349	36.56%
Federal sources	-	42,522	(42,522)	-100.00%
	<u>\$ 2,661,062</u>	<u>\$ 1,778,672</u>	<u>\$ 882,390</u>	<u>151.93%</u>

The significant increase in local sources is due to an increase in enrollment from 117 to 231 in 2007-2008. The increase in state sources is due to an increase in enrollment. The federal sources revenue remains flat in 2008 compared to 2007.

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

**SUMMARY OF THE GENERAL FUND  
AND SPECIAL REVENUE FUND EXPENDITURES**

<u>Expenditures</u>	<u>2008</u>	<u>2007</u>	<u>Increase/ (decrease)</u>	<u>% Change</u>
Instruction	\$ 951,829	\$ 786,569	\$ 165,260	21.01%
Administrative	841,836	383,378	458,458	119.58%
Support	582,314	747,064	(164,750)	-22.05%
Capital Outlay	3,321	79,274	(75,953)	-95.81%
Total	<u>\$ 2,379,300</u>	<u>\$ 1,996,285</u>	<u>\$ 383,015</u>	<u>19.19%</u>

The overall increase in total expenditures was due to the increase in enrollment from 117 to 231 in 2007-2008.

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 and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation (see J-18).

10) **OTHER INFORMATION**

**Independent Audit**

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA. 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 general-purpose 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 University Heights Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the City of Newark 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 staff.

Respectfully submitted,

---

Misha Simmonds  
Lead Person



## **ROSTER OF OFFICIALS**

**JUNE 30, 2008**

### **Members of Board of Trustees**

---

#### **OFFICERS**

Richard Roper, Chairman

Marvin Anthony, Vice Chairman – Resigned as of August 2008

Debra Beauford, Secretary– Resigned as of August 2008

Ollie Washington, Treasurer – Resigned as of August 2008

Raymond Ocasio, Chair of Finance Committee

Gareth Malebranche Zamba, Member– Resigned as of August 2008

Larry Crump, Member– Resigned as of August 2008

Ayesha Cross-Faulks, Parent Representative - Resigned as of August 2008

Sahunda Owens-Chavers, Parent Representative Resigned as of August 2008

Anzella Nelms, Trustee - Appointed August 2008, Was Educational Consultant through 08/2008

D'Shawn Wright, Trustee – Appointed August 2008

#### **ADMINISTRATION**

Misha Simmonds, Lead Person – Appointed September 2008

Rahshene Davis, Headmistress – Appointed September 2008

Karen Johnson, School Business Administrator– Appointed March 2008

**UNIVERSITY HEIGHTS CHARTER SCHOOL**

**CONSULTANTS AND ADVISORS**

**Independent Auditors**

Olugbenga Olabintan  
Certified Public Accountant/Consultant  
137 Camden Road, Suite # 3  
Newark, New Jersey 07103

**Attorney**

McElroy, Deutch, Mulvaney & Carpenter, LLP  
Three Gateway Center  
100 Mulberry Street  
Newark, New Jersey 07102

**Official Depository**

City National Bank of NJ  
900 Broad Street  
Newark, New Jersey 07102

**FINANCIAL SECTION**

# *Olugbenga Olabintan*

---

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

Tel: (201) 230-7518  
Fax: (973) 368-8268  
E-mail: oolabintan@aol.com

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Trustees  
University Heights Charter School  
County of Essex  
East Orange, New Jersey

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Trustees of the University Heights Charter School, (the "Charter School") in the County of Essex, 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 Charter School Board of Trustee's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose 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. I believe that my audit provides a reasonable basis for my opinion.

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

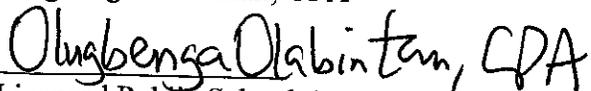
In accordance with *Government Auditing Standards*, I have also issued my report dated October 24, 2008 on my consideration of the University Heights Charter School Board of Trustee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management Discussion and Analysis on pages 15 through 22 and Budgetary Comparison Information on pages 63 to 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the University Heights Charter School Board of Trustees basic financial statements. The accompanying introductory section, other supplementary information, such as, the combining and individual fund financial schedules, and statistical information are presented for purposes of additional analysis and are not required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my 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 statement and, accordingly, I 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, 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* respectively, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relations to the basic financial statements taken as a whole.

Olugbenga Olabintan, CPA



Licensed Public School Accountant

No. 20CS00230200

Olugbenga Olabintan, CPA

October 24, 2008

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENTS DISCUSSION AND ANALYSIS**

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

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

**Introduction**

This section of the University Heights Charter School's 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 increased \$295,726 to \$78,113. Net assets of governmental activities increased \$281,762, which represents a 129.484 percent increase from fiscal year 2007. Net assets of business-type activities, which represent food service operations/after care and summer instructional programs, increased \$13,964. which represents 100 percent increase from fiscal year 2007, considering that the Charter School did not record the food service operation in its financial statements for 2007.
- General revenues accounted for \$2,571,589 in revenue or 94.79 percent of total revenues of \$2,712,819. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$112,778 or 4.16 percent of total revenues.
- The Charter School had \$2,290,827 in expenses related to governmental activities; \$60,021 of these expenses is offset by operating grants and contributions. General revenues (primarily Federal and State aid) of \$2,571,589 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2008, of \$64,149.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL 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 University Heights Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. 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 University Heights 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 others, 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.

**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 answer this question. These Statements include all the Charter

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

**Statement of Net Assets and Statement of Activities-continued**

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 account 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 operations/after care and summer instructional programs enterprise fund is reported as a business activity.

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's 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.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

**Governmental Funds- Continued**

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.

**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 \$78,113 at the close of 2008. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current Assets	\$ 310,664	\$ 182,959	\$ 34,560	\$ -	\$ 345,224	\$ 182,959
Capital Assets, net	-	-	-	-	-	-
<b>Total Assets</b>	<b>310,664</b>	<b>182,959</b>	<b>34,560</b>	<b>-</b>	<b>345,224</b>	<b>182,959</b>
<b>Liabilities</b>						
Current Liabilities	246,689	400,572	20,596	-	267,285	400,572
Long Term Liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>246,689</b>	<b>400,572</b>	<b>20,596</b>	<b>-</b>	<b>267,285</b>	<b>400,572</b>
<b>Net Assets</b>						
Invested in Capital Assets (net of related debt)	-	-	-	-	-	-
Unrestricted	64,149	(217,613)	13,964	-	78,113	(217,613)
<b>Total Net Assets</b>	<b>\$ 64,149</b>	<b>\$ (217,613)</b>	<b>\$ 13,964</b>	<b>\$ -</b>	<b>\$ 78,113</b>	<b>\$ (217,613)</b>

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

The largest portion of the Charter School's net assets is its current assets. The Charter School uses these current assets to provide services.

The total net assets of the Charter School increased by \$295,726 during the current fiscal year ended June 30, 2008. The majority of the increase is attributable to a surplus of \$281,762 in the General Fund.

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

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program Revenues:						
Charge for Services			\$21,082	\$0	\$21,082	\$0
Operating grants and Contributions	\$60,021	\$621,738	31,675	-	91,696	621,738
<b>Total Program Revenues</b>	<b>60,021</b>	<b>621,738</b>	<b>52,757</b>	<b>-</b>	<b>112,778</b>	<b>621,738</b>
General Revenues:						
Local Aid	482,324	154,971			482,324	154,971
Federal and State Aid	2,097,974	1,616,368			2,097,974	1,616,368
Miscellaneous	19,743	7,333			19,743	7,333
Transfers	(88,473)	-	88,473	-	-	-
<b>Total general Revenues</b>	<b>2,511,568</b>	<b>1,778,672</b>	<b>88,473</b>	<b>-</b>	<b>2,600,041</b>	<b>1,778,672</b>
<b>Total Revenues</b>	<b>2,571,589</b>	<b>2,400,410</b>	<b>141,230</b>	<b>-</b>	<b>2,712,819</b>	<b>2,400,410</b>
<b>Expenses:</b>						
Instructions	951,829	786,569			951,829	786,569
Administrative & Support Services	1,338,998	1,209,716			1,338,998	1,209,716
Unallocated Depreciation	-	-			-	-
Food Service			127,266	-	127,266	-
After Care/ Summer Programs						
<b>Total Expenses</b>	<b>2,290,827</b>	<b>1,996,285</b>	<b>127,266</b>	<b>-</b>	<b>2,418,093</b>	<b>1,996,285</b>
<b>Change in Net Assets</b>	<b>\$ 280,762</b>	<b>\$ 404,125</b>	<b>\$ 13,964</b>	<b>\$ -</b>	<b>\$ 294,726</b>	<b>\$ 404,125</b>

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

Operating grants and contributions decreased by about 85.25 percent mainly because the Charter School did not spend any of its No-Child-Left-Behind Federal grant allocated for 2007-2008. The grantor has granted the Charter School a waiver to have more than 90 percent of the 2007-2008 allocation spent in the following school year 2008-2009.

**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	\$ 951,829	\$ 920,629
Administrative & Support Services	1,338,998	1,310,177
Unallocated Depreciation	-	-
Total Expenses	<u>\$ 2,290,827</u>	<u>\$ 2,230,806</u>

**Business-Type Activity**

The business-type activity of the Charter School consists of the food service operation, the after-school program and summer instructional program. These programs had revenues of \$141,230 (which includes a transfer from the General Fund of \$88,473 to cover deficit) and operating expenses of \$127,266 for fiscal year 2008. The Charter School did not record the operation of its Food Service program in the prior year's CAFR. The Charter School intended to have food services be self operating without assistance from the General Fund, however, in the current year cumulative operating deficit of \$(88,473) was funded by transfer from the General Fund. One of the reasons was that the Charter School did not set up its reimbursement request submission to the State until March 2008 and only got reimbursed for four months out of ten months.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

**The Charter School's Funds**

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$2,571,589 and expenditures of \$2,290,827. The positive change in fund balance for the year reflects that the Charter School was able to meet its current costs.

**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 2008, 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's management teams.

For the General Fund, final budgeted revenues were \$2,601,041, which included a local tax levy of \$483,324. Expenditures and other financing uses were budgeted at \$2,319,279. The Charter School anticipated budgeted fund balance of \$64,149 in its 2007-2008 budget year. General Fund revenues were higher than expenditures by \$281,762. Actual revenues and other financing sources were \$2,601,041 and expenditures were \$2,319,279.

The State of New Jersey reimbursed the Charter School \$61,315 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**

At the end of fiscal year 2008, the Charter School did not have any funds invested in capital assets in its governmental activities.

The Charter School's 2008-2008 budget projects spending approximately \$-0- for capital projects.

**Long-term debt**

At June 30, 2008, the Charter School did not have any long term debt.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

**Economic Factors and Next Year's Budget**

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2008-2009. 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. Amounts available for appropriation in the general fund budget are \$2,933,011, a 15% increase from the amount budgeted in the current fiscal year. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

**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:

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
Business Office  
74 Hartford Street  
Newark, New Jersey 07103**

## **BASIC FINANCIAL STATEMENTS**

## **CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

**This Statement of Net Assets and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Assets presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities.**

UNIVERSITY HEIGHTS CHARTER SCHOOL

A-1

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 29,622	\$ 17,769	\$ 47,391
Accounts receivable	168,811	16,791	185,602
Interfund receivables	112,231		112,231
Total assets	<u>\$ 310,664</u>	<u>\$ 34,560</u>	<u>\$345,224</u>
<b>Liabilities</b>			
Accounts payable	\$ 177,281	\$ 7,471	\$184,752
Intergovernmental payables	47,545		47,545
Interfunds payables		13,125	13,125
Deferred revenue	21,689		21,689
Total liabilities	<u>246,515</u>	<u>20,596</u>	<u>267,111</u>
<b>Net assets</b>			
Unrestricted			-
Undesignated	64,149	13,964	78,113
Total net assets	<u>64,149</u>	<u>13,964</u>	<u>78,113</u>
Total liabilities & net assets	<u>\$ 310,664</u>	<u>\$ 34,560</u>	<u>\$345,224</u>

See accompanying notes to financial statements.

UNIVERSITY HEIGHTS CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Salaries	\$ 869,860			\$ (869,860)		\$ (869,860)
General educational supplies	40,439		\$ 31,200	(9,239)		(9,239)
Instructional text and books	40,819			(40,819)		(40,819)
Other instructional expenses	711		-	(711)		(711)
<b>Administrative &amp; Support services:</b>						
Salaries	378,678		-	(378,678)		(378,678)
Total benefit costs	328,716		-	(328,716)		(328,716)
Professional /Technical service	123,829		8,800	(115,029)		(115,029)
Other Purchased Services	5,060			(5,060)		(5,060)
Rent on land and buildings	376,488			(376,488)		(376,488)
Communications and Telephones	8,314			(8,314)		(8,314)
Insurance-fidelity, liability property	47,099			(47,099)		(47,099)
Supplies and materials	24,140		16,700	(7,440)		(7,440)
Miscellaneous expenses	43,353		-	(43,353)		(43,353)
Capital outlay	3,321		3,321	-		-
Total governmental activities	2,290,827	-	60,021	(2,230,806)	-	(2,230,806)
<b>Business-type activities:</b>						
Food service	127,266	\$ 7,118	31,675		\$ (88,473)	(88,473)
After care/summer programs	-	13,964			13,964	13,964
Total business-type activities	127,266	21,082	31,675		(74,509)	(74,509)
Total primary government	\$ 2,418,093	\$ 21,082	\$ 91,696	(2,230,806)	(74,509)	(2,305,315)
<b>General revenues, transfers and special items:</b>						
Local sources				483,324	-	483,324
State sources				2,097,974		2,097,974
Miscellaneous				19,743		19,743
Transfers				(88,473)	88,473	-
Total general revenues, transfers and special items				2,512,568	88,473	2,601,041
Change in net assets				281,762	13,964	295,726
Net assets - beginning				(217,613)	-	(217,613)
Net assets - ending				\$ 64,149	\$ 13,964	\$ 78,113

See accompanying notes to financial statements.

## **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**The government funds statements tell how general government services were financed in the short-term as well as what remains for future spending. The governmental funds statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides.**

## **FUND FINANCIAL STATEMENTS**

**Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditure /expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary.**

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Governmental Funds**

**B-1**

**June 30, 2008**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Totals Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 29,622		\$ 29,622
Accounts receivable:			
State	168,811	-	168,811
Federal	-	-	-
Interfund receivable	51,802	\$ 60,429	112,231
<b>Total assets</b>	<b>\$ 250,235</b>	<b>\$ 60,429</b>	<b>\$ 310,664</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 177,281		\$ 177,281
Interfund payables	-		-
Intergovernmental payables - Federal	-	\$ 38,740	38,740
Intergovernmental payables - State	8,805	-	8,805
Deferred revenue	-	21,689	21,689
<b>Total liabilities</b>	<b>186,086</b>	<b>60,429</b>	<b>246,515</b>
<b>Fund balances:</b>			
<b>Unreserved:</b>			
Undesignated (deficit)	64,149	-	64,149
<b>Total fund balances</b>	<b>64,149</b>	<b>-</b>	<b>64,149</b>
<b>Total liabilities and fund balances</b>	<b>\$ 250,235</b>	<b>\$ 60,429</b>	

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:

Net assets of governmental activities - A-1	\$ 64,149
---	-----------

*See accompanying notes to financial statements.*

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Governmental Funds**

B-2

**Year ended June 30, 2008**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources:			
Local tax levy	\$ 483,324		\$ 483,324
Contributions		\$ 8,800	8,800
Miscellaneous	19,743		19,743
Total revenues -local sources	<u>503,067</u>	<u>8,800</u>	<u>511,867</u>
State sources	2,036,659	51,221	2,087,880
TPAF-Social Security	61,315	-	61,315
Total revenues	<u>2,601,041</u>	<u>60,021</u>	<u>2,661,062</u>
<b>Expenditures</b>			
Current expense:			
Instruction:			
Salaries	869,860	-	869,860
General educational supplies	9,239	31,200	40,439
Instructional text and books	40,819	-	40,819
Other instructional expenses	711	-	711
Administrative cost:			-
Salaries	312,885	-	312,885
Total benefit costs	267,401	-	267,401
Professional /Technical service	115,029	8,800	123,829
Other purchased services	5,060	-	5,060
Communications and Telephones	8,314		8,314
Supplies and materials	2,979	16,700	19,679
Miscellaneous expenses	43,353		43,353
Support services:			
Salaries	65,793		65,793
Rent on land and buildings	376,488		376,488
Insurance-fidelity, liability property	47,099		47,099
Supplies and materials	4,461		4,461
Food Services - Transfer to cover deficit	88,473		88,473
Capital outlay:			-
Non-instructional equipment	-	3,321	3,321
TPAF-Social Security	61,315	-	61,315
Total expenditures	<u>2,319,279</u>	<u>60,021</u>	<u>2,379,300</u>
Excess (deficiency) of revenues over (under) expenditures	281,762	-	281,762
Fund balances, July 1, 2007	<u>(217,613)</u>	<u>-</u>	<u>(217,613)</u>
Fund balances, June 30, 2008	<u>\$ 64,149</u>	<u>\$ -</u>	<u>\$ 64,149</u>

*See accompanying notes to financial statements.*

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**And Changes in Fund Balances of Governmental Funds**

**B-3**

**Year ended June 30, 2008**

<b>Total net change in fund balances - governmental funds (B-2)</b>	<b>\$ 281,762</b>
<b>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</b>	<b>-</b>
	<hr/>
<b>Change in net assets of governmental activities (A-2)</b>	<b><u><u>\$ 281,762</u></u></b>

*See accompanying notes to financial statements.*

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

**The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounting principles are those similar to businesses in the private sector. The Charter School's food service operations, After Care/Summer Instructional Programs are accounted for in the Enterprise Fund where the intent of the Charter School is that the costs of providing goods or services be financed through user charges.**

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Proprietary Funds**

**B-4**

**June 30, 2008**

**Assets**

Current assets:

Cash and cash equivalents	\$ 17,769
Accounts receivable:	
Federal	15,957
State	834
Total current assets	<u>\$ 34,560</u>

**Liabilities**

Current liabilities

Accounts payable	\$ 7,471
Interfund payable - General Fund	13,125
Total current liabilities	<u>\$ 20,596</u>

**Net assets**

Unrestricted	13,964
Total net assets	<u>\$ 13,964</u>

*See accompanying notes to financial statements.*

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
Proprietary Funds**

B-5

**Year ended June 30, 2008**

	<u>Food Services</u>	<u>Summer/ After-Care Program</u>	
Operating revenues:			
Charges for services:			
Parent fees	\$ -	\$ 13,964	\$ 13,964
Daily sales - nonreimbursable programs	7,118		7,118
Miscellaneous revenue		-	-
Total Operating revenues	<u>7,118</u>	<u>13,964</u>	<u>21,082</u>
Operating expenses:			
Cost of sales	67,436		67,436
Salaries	55,578	-	55,578
Employee benefits	4,252		4,252
Professional /Technical service			-
Supplies and materials	-	-	-
Depreciation		-	-
Miscellaneous		-	-
Total operating expenses	<u>127,266</u>	<u>-</u>	<u>127,266</u>
Operating income (loss)	<u>(120,148)</u>	<u>13,964</u>	<u>(106,184)</u>
Nonoperating revenues:			
State sources:			
State School Breakfast Program	552		552
State School Lunch Program	1,052		1,052
Federal sources:			-
National School Lunch Program	23,633		23,633
National School Breakfast Program	5,757		5,757
After School Snacks	681		681
Total nonoperating revenues	<u>31,675</u>	<u>-</u>	<u>31,675</u>
Net income/(loss) before contributions & transfers	(88,473)	13,964	(74,509)
Other financing sources:			
Miscellaneous revenue			-
Operating transfer in - Board contribution	88,473		88,473
	<u>88,473</u>	<u>-</u>	<u>88,473</u>
Change in net assets	-	13,964	13,964
Total net assets-beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets-end of year	<u>\$ -</u>	<u>\$ 13,964</u>	<u>\$ 13,964</u>

*See accompanying notes to financial statements.*

## **FIDUCIARY FUNDS FINANCIAL STATEMENTS**

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

UNIVERSITY HEIGHTS CHARTER SCHOOL  
Fiduciary Funds

B-7

June 30, 2008

	Agency Fund <hr/> Payroll
<b>Assets</b>	
Cash and cash equivalents	\$ 99,106
Total assets	<u>\$ 99,106</u>
<b>Liabilities and fund balances</b>	
Liabilities:	
Interfund payables	\$ 99,106
Total liabilities	<u>99,106</u>
<b>Net Assets</b>	-
Total liabilities and net assets	<u>\$ 99,106</u>

*See accompanying notes to financial statements.*

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Fiduciary Funds**

B-8

**Year ended June 30, 2008**

	<u><b>Expendable Trust Fund</b></u> <b>New Jersey</b> <u><b>Unemployment Benefits</b></u>
Revenues:	
General fund appropriation	\$ 17,158
Total revenues	<u>17,158</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	17,158
Total expenditures	<u>17,158</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

*See accompanying notes to financial statements.*

## **NOTES TO FINANCIAL STATEMENTS**

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of University Heights Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

**A. Reporting Entity:**

University Heights Charter School (the "Charter School") was incorporated in the State of New Jersey in September 2007 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. University Heights Charter School is in the process of obtaining exempt status under Section 501(C)(3) of the Internal Revenue Code.

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The University Heights Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

**B. Component Units:**

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's 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

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**B Component Units Continued:**

influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

Based on the aforementioned criteria, the Charter School has no component units.

**C. Basis of Presentation**

The financial statements of the University Heights Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

For the first time the financial statements include:

- i) A Management Discussion and Analysis (MD&A) section providing an analysis of the Charter School's overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School's activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**D. Basic Financial Statements**

The Charter School's basic financial statements consist of Charter School or government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

i. **Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

ii. **Fund Financial Statements** - Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**E. Governmental Funds**

- i. **General Fund** - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.
  - 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
  - 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.
- ii. **Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.
- iii. **Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2008 there was no Capital Projects Fund.
- iv. **Debt Service Fund** -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2008 there was no debt service fund.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. Proprietary Funds**

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

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

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

- ii. **Internal Service (Self-Insurance) Fund:**- The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. University Heights Charter School does not use self insurance fund.

**G. Fiduciary Funds**

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**G. Fiduciary Funds**

i) **Expendable Trust Funds** - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

ii) **Nonexpendable Trust Funds** - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

iii) **Agency Funds** - Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations. Agency funds include payroll and student activities funds.

**H. Measurement Focus and Basis of Accounting**

- i. **Measurement Focus** - Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net assets.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**H. Measurement Focus and Basis of Accounting (continued)**

- ii. **Basis of accounting** – In the government wide statement of net assets and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i. e the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determine and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

**I. Budgets/Budgetary Control**

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**I. Budgets/Budgetary Control (continued)**

budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports. The following presents a reconciliation of the special revenue funds, from the budgetary basis of accounting. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances- Governmental Funds.

	<b>2008</b>
Total revenues and expenditures (Budgetary basis)	\$ 60,021
Adjustments:	
Plus encumbrances at June 30, 2007	-
Less encumbrances at June 30, 2008	-
Total revenue and expenditures (GAAP Basis)	<u>\$ 60,021</u>

**J. Cash, Cash Equivalent and Investments**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investment with a maturity of three months or less at the time of purchases and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchases are stated at cost. All other investment is stated at fair value.

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

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**J. Cash, Cash Equivalent and Investments (continued)**

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

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

**K. Interfund Assets/Liabilities.**

On the fund financial statement, receivable and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government wide Statements of Net Assets.

**L. Fixed Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**L. Fixed Assets (continued)**

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. However, the Charter School did not have any capitalized assets as of June 30, 2008.

**M. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services are ready render, and there are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that related to future services, or that are contingent on specific event that is outside the control of the Charter School and its employees, are accounted for in the period in winch such service are rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences.

In proprietary and similar trust funds, compensated absences are required as an expense and liability of the fund that will pay for them.

**N. Deferred Revenue**

Deferred revenue in especial revenue fund represent cash that has been received but not yet earned.

**O. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long term- obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are pay in a timely manner and in full from currents financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**P. Fund Balance and Equity**

In the fund financial statements, governmental fund report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for specific future use. Designated fund balance represents plans for future use of financial resources.

**Q. Net Assets**

Net Assets on the *Statement of Net Assets* include the following:

- i. **Investments in Capital Assets , net of Related Debt** - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.
- ii. **Restricted for Specific Purposes** – the component of net assets that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on there use by either external parties and /or enabling legislation.
- iii. **Restricted for Debt Service** – the component of net assets that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.
- iv. **Unrestricted** - the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Specific Purposes or Net Assets Restricted for Debt Services.

**Q. Contributed Capital**

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**R. Interfund Transactions**

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other interfund transfers are reported as operating transfer.

**S. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**T. On-Behalf Payments**

Revenues and expenditures of the General Fund include payment made by the state of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School’s annual budget.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include 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 are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public As of June 30, 2008, the Charter School’s deposits and investments are summarized as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Payroll Fund</u>	<u>Total</u>
Operating A/C	\$ 29,622	\$ -	\$ 17,769	\$ 99,106	\$ 146,497
Total	<u>\$ 29,622</u>	<u>\$ -</u>	<u>\$ 17,769</u>	<u>\$ 99,106</u>	<u>\$ 146,497</u>

As of June 30, 2008, the Charter School did not hold any investments.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**3. FIXED ASSETS**

The Charter did not have any capitalized assets during its two years of existence – ended June 30, 2008.

The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

**4. NET ASSETS**

As of June 30, 2008, governmental activities net assets consisted of the following components:

<b><u>INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT</u></b>	
Capital assets, net	\$ -
Less: Long-Term obligations	-
	-
(All long-term debt relates to capital assets)	
	-
<b><u>RESTRICTED</u></b>	
Designated for subsequent years expenditures	-
	-
<b><u>UNRESTRICTED</u></b>	
Net assets (deficit) not restricted above	64,149
	64,149
<b>NET ASSETS</b>	<b>\$ 64,149</b>

Business-type activities net assets did not have any capital assets or restrictions.

**5. PENSIONS PLANS**

- a) **Description of Plans** – All eligible employees of the Charter School are covered by either the Public Employee’s Retirement System or the Teacher’s Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit ( Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher’s Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**5. PENSIONS PLANS - CONTINUED**

- i. **Teachers Pension and Annuity Fund (TPAF)**- The Teachers' Pension and Annuity Fund was established as of January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund 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 systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.
  
- ii. **Public Employees' Retirement System (PERS)** The public Employees' Retirement Systems (PERS) was established as of January 1, 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, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.
  
- b) **Vesting and Benefit Provisions**- The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**5. PENSIONS PLANS (continued)**

**b. Vesting and Benefit Provisions**

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

- c) **Significant Legislation** – Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.
- i. Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.
- ii. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**5. PENSIONS PLANS (continued)**

**d) Contribution requirements** – The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 4.5 % and 3%, respectively of employees' annual compensation, as defined. 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 adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

The Charter School's contribution to PERS for the year ended June 30, 2008 was \$0

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$118,791 during the year ended June 30, 2008 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the general-purpose financial statements.

**6. 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, 2006, 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.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**6. POST-EMPLOYMENT BENEFITS**

In fiscal year 2007, the State paid \$100.3 million toward Chapter 126 benefits for 11,747 eligible retired members.

**7. COMPENSATED ABSENCES**

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and 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.

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. Upon termination, employees are paid for accrued vacation. The Charter School's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the Charter School for the unused sick leave in accordance with the Charter School's agreement with the various employee unions.

The liability for vested compensated absences of the governmental fund types is recorded in the Charter School-wide financial statement. The current portion of the governmental activities compensated absences balance is not considered material to the applicable funds total liabilities; therefore it is not shown separately from the long-term liability balance of compensated absences.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2008, Charter School-wide compensated absences amounted to \$-0-.

**8. DEFERRED COMPENSATION**

The Charter School is in the process of offering its employees a choice of deferred compensation plans created in accordance with Internal Revenue Section 403(b).

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**9. RISK MANAGEMENT**

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

- a) **Property and Liability Insurance** – The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.
- b) **New Jersey Unemployment Compensation** - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the state.

The Charter School paid all amounts it was billed by the New Jersey Unemployment Compensation. The following is ending balance of the Charter School’s expendable trust fund for the current and the previous one year:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2007-2008	\$ 17,158	\$ 3,250	\$ 20,408	\$ -
2006-2007			-	-

---

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**12. INTERFUND RECEIVABLES AND PAYABLES**

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset. At June 30, 2008, the interfund balances consisted of the following components:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 51,802	
Special Revenue Fund	-	\$ 60,429
Enterprise Fund		13,125
Fiduciary Fund	-	99,106
Total	51,802	172,660
 GASB No 34 mandated eliminations within governmental activities		
Special Revenue	(60,429)	(60,429)
Enterprise Fund	(13,125)	(13,125)
External - Due from Trust and Agency Fund	\$ (21,752)	\$ 99,106

**11. OPERATING LEASES**

The Charter School leased space at 74 Hartford Street, Newark, New Jersey, under a lease agreement for one (1) year commencing September 1, 2007 to August 31, 2008. The lease required monthly rental payments of \$33,787. Total rental payment amounted to \$376,488 for the year ended June 30, 2008. . The lease is renewable annually.

**12. CONTINGENCIES – STATE AND FEDERAL GRANTS**

State and Federal aid is generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2008, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2008.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**13. LOSS OF FUNDING – 2007 NO-CHILD-LEFT-BEHIND**

**Funding for the Period September 1, 2006 to August 31, 2007**

During the fiscal year ended June 30, 2008, the New Jersey Department of Education (NJDOE), Office of Fiscal Accountability and Compliance completed a fiscal audit of the No Child Left Behind (NCLB) Title I Grant of the University Heights Charter School. The review covered the period September 1, 2006 through August 31, 2007. As a result of that fiscal audit, the NJDOE determined that the Charter School materially failed to document adequately any costs pursuant to the FY 2007 NCLB grant. Therefore, the Charter School was requested to return all monies received under the NCLB grant for the year 2007. The amount requested, \$38,740 has been absorbed by the General Fund in 2007-2008 and set up as a liability.

**Funding for the Period September 1, 2007 to August 31, 2008**

Further, the Charter School did not spend (by the end of the grant) any of its NCLB allocations for the period September 1, 2007 through August 31, 2008. Under the NCLB legislation, no more than 15% of the Charter School's Title I, Part A allocation could be carried over to the next fiscal year. However, the legislation provides for a waiver once every three years if the NJDOE determines the request is reasonable and necessary. The Charter School has been granted a waiver by the NJDOE (by its letter dated September 2, 2008) to carry over the entire Title I allocation (\$98,544) portion of the NCLB grant for 2008. The amount will become part of the 2008-2009 allocation.

The Charter School would not be able to carry over the remaining portion of the NCLB (Title IIA, Title IID, title IV and Title V) all amounting to \$8,981.

**14. SUBSEQUENT EVENTS**

The University Height Charter School was placed on probationary status by the Commissioner of Education on June 29, 2007. The probation was extended on September 28, 2007, January 14, 2008, and May 30, 2008. As of October 24, 2008, the date of this report, the probation remained in effect. A possible end result of the probation could be a deformation by the Commissioner to revoke the school's charter, which normally would require the school to cease operating within sixty (60) days of the receipt by the school of such determination.

However, there is evidence that the school is making progress towards resolving all of the issues that led to the probationary status, one of which is a better control of its fiscal operations. It is pertinent to note that the school ended with a General Fund surplus of \$64,149 for the year ended June 30, 2008 compared with a deficit of \$217,613 in 2006-2007 (which translates to a current year surplus of \$281,762).

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**14. SUBSEQUENT EVENTS - CONTINUED**

On September 15, 2008, the Charter School received a donation of \$160,000 from the Community Foundation of New Jersey. The donation was designated by the donor for instructional expenditures. According to the management of the Charter School, the donation increased its 2008-2009 revenue by more than 5% thereby assisting the school in meeting its obligations in the 2009 school year.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2008**

**THIS PAGE INTENTIONALLY LEFT BLANK**

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
General Fund**

C-1

**Year ended June 30, 2008**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Revenues</b>					
Local Sources:					
Local tax levy	\$ 480,030	\$ 3,294	\$ 483,324	\$ 483,324	\$ -
Contributions	-	-	-	-	-
Miscellaneous	15,000	4,743	19,743	19,743	-
<b>Total revenues -local sources</b>	<b>495,030</b>	<b>8,037</b>	<b>503,067</b>	<b>503,067</b>	<b>-</b>
State sources	1,961,868	74,791	2,036,659	2,036,659	-
TPAF-Social Security	54,026	7,289	61,315	61,315	-
<b>Total revenues</b>	<b>2,510,924</b>	<b>90,117</b>	<b>2,601,041</b>	<b>2,601,041</b>	<b>-</b>
<b>Expenditures</b>					
Current expense:					
Instruction					
Salaries	838,186	31,674	869,860	869,860	-
General educational supplies	26,000	(16,761)	9,239	9,239	-
Instructional text and books	79,032	(38,213)	40,819	40,819	-
Other instructional expenses	7,630	(6,919)	711	711	-
<b>Total current expense</b>	<b>950,848</b>	<b>(30,219)</b>	<b>920,629</b>	<b>920,629</b>	<b>-</b>
Administrative cost:					
Salaries	274,592	38,293	312,885	312,885	-
Total benefit costs	200,000	67,401	267,401	267,401	-
Professional /Technical service	110,000	5,029	115,029	115,029	-
Other purchased services	21,500	(16,440)	5,060	5,060	-
Communications and Telephones	9,616	(1,302)	8,314	8,314	-
Supplies and materials	9,379	(6,400)	2,979	2,979	-
Miscellaneous expenses	4,808	38,545	43,353	43,353	-
<b>Total administrative cost</b>	<b>629,895</b>	<b>125,126</b>	<b>755,021</b>	<b>755,021</b>	<b>-</b>
Support services:					
Salaries	126,760	(60,967)	65,793	65,793	-
Purchased Professional /Technical service	75,000	(75,000)	-	-	-
Other purchased services	59,251	(59,251)	-	-	-
Rent on land and buildings	337,875	38,613	376,488	376,488	-
Insurance-fidelity, liability property	67,000	(19,901)	47,099	47,099	-
Supplies and materials	15,569	(11,108)	4,461	4,461	-
Food Services - Transfer to cover deficit	-	88,473	88,473	88,473	-
<b>Total support services</b>	<b>681,455</b>	<b>(99,141)</b>	<b>582,314</b>	<b>582,314</b>	<b>-</b>
Capital outlay:					
Instructional equipment	10,471	(10,471)	-	-	-
Non-instructional equipment	15,000	(15,000)	-	-	-
<b>Total capital outlay</b>	<b>25,471</b>	<b>(25,471)</b>	<b>-</b>	<b>-</b>	<b>-</b>
TPAF-Social Security	54,026	7,289	61,315	61,315	-
<b>Total expenditures</b>	<b>2,341,695</b>	<b>(22,416)</b>	<b>2,319,279</b>	<b>2,319,279</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	169,229	112,533	281,762	281,762	-
Fund balances, July 1, 2007	(217,613)	-	(217,613)	(217,613)	-
Fund balances, June 30, 2008	\$ (48,384)	\$ 112,533	\$ 64,149	\$ 64,149	\$ -

See independent auditor's report

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
Special Revenue Fund**

C-2

Year ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues</b>					
Local sources	\$ 8,800	\$ -	\$ 8,800	8,800	\$ -
State sources	51,221		51,221	51,221	-
Total revenues -all sources	<u>60,021</u>	-	<u>60,021</u>	<u>60,021</u>	-
<b>Expenditures</b>					
Current Expenditures:					
Instruction:					
Salaries of teachers	-	-	-	-	-
Other salaries for instruction	-	-	-	-	-
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	31,200	-	31,200	31,200	-
Textbooks	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>31,200</u>	-	<u>31,200</u>	<u>31,200</u>	-
Support services					
Salaries of supervisors of instruction	-	-	-	-	-
Salaries of secretarial/clerical asst.	-	-	-	-	-
Employee benefits	-	-	-	-	-
Purchased professional educational services	8,800	-	8,800	8,800	-
Travel	-	-	-	-	-
Rent	-	-	-	-	-
Other purchase services	-	-	-	-	-
Supplies	16,700	-	16,700	16,700	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>25,500</u>	-	<u>25,500</u>	<u>25,500</u>	-
Capital Outlay:					
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	3,321	-	3,321	3,321	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>3,321</u>	-	<u>3,321</u>	<u>3,321</u>	-
Total expenditures	<u>\$ 60,021</u>	<u>\$ -</u>	<u>\$ 60,021</u>	<u>\$ 60,021</u>	<u>\$ -</u>

See independent auditor's report

NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**

**NOTE**

Year ended June 30, 2008

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

		General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$2,601,041	
	[C-2]		\$ 60,021
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		0	0
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	 [B-2]	 \$2,601,041	 \$ 60,021
<b>Note 1</b>			
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]		\$ 60,021
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			0
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfer (outflows) to general fund			0
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	 [B-2]		 \$ 60,021

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

*See independent auditor's report*

OTHER SUPPLEMENTARY INFORMATION

**SCHOOL LEVEL SCHEDULES  
NOT APPLICABLE**

**SPECIAL REVENUE FUND**

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
Special Revenue Fund**

E-1

**Budgetary Basis**

**Year ended June 30, 2008**

	<b>CADRE Grant (Year 3)</b>	<b>Bathany Cares Block Grant</b>	<b>Total</b>
<b>Revenues</b>			
Local sources		\$ 8,800	\$ 8,800
State sources	\$ 51,221	-	51,221
Total revenues -all sources	<u>51,221</u>	<u>8,800</u>	<u>60,021</u>
<b>Expenditures</b>			
Current Expenditures:			
Instruction:			
Salaries of teachers			-
Other salaries for instruction			-
Purchased Prof. and technical services			-
Other purchased services			-
General supplies	31,200	-	31,200
Textbooks			-
Miscellaneous expenditures			-
Total instruction	<u>31,200</u>	<u>-</u>	<u>31,200</u>
Support services			
Salaries of supervisors of instruction			-
Salaries of secretarial/clerical asst.			-
Employee benefits			-
Purchased professional educational services		8,800	8,800
Travel			-
Rent			-
Other purchase services			-
Supplies	16,700		16,700
Miscellaneous expenditures			-
Total support services	<u>16,700</u>	<u>8,800</u>	<u>25,500</u>
Capital Outlay:			
Facilities acquisition and construction service			
Instructional equipment	-	-	-
Noninstructional equipment	3,321	-	3,321
Construction services	-	-	-
Total facilities acquisition and construction serv	<u>3,321</u>	<u>-</u>	<u>3,321</u>
Total expenditures	<u>\$ 51,221</u>	<u>\$ 8,800</u>	<u>\$ 60,021</u>

*See independent auditor's report*

**CAPITAL PROJECTS FUND**

**At June 30, 2008, there was no capital project fund.**

ENTERPRISE FUND

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Enterprise Funds**

**G-1**

**June 30, 2008**

**Assets**

Current assets:

Cash and cash equivalents	\$ 17,769
Accounts receivable:	
Federal	15,957
State	834
Total current assets	<u>\$ 34,560</u>

**Liabilities**

Current liabilities

Accounts payable	\$ 7,471
Interfund payable - General Fund	13,125
Total current liabilities	<u>\$ 20,596</u>

**Net assets**

Unrestricted	13,964
Total net assets	<u>\$ 13,964</u>

*See independent auditor's report*

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Enterprise Fund**

G-2

Year ended June 30, 2008

	<u>Food Services</u>	<u>Summer After-Care Program</u>	<u>Total</u>
Operating revenues:			
Charges for services:			
Parent fees		\$ 13,964	\$ 13,964
Daily sales - nonreimbursable programs	\$ 7,118	-	7,118
Miscellaneous revenue	-	-	-
Total Operating revenues	<u>7,118</u>	<u>13,964</u>	<u>21,082</u>
Operating expenses:			
Cost of sales	67,436	-	67,436
Salaries	55,578	-	55,578
Employee benefits	4,252	-	4,252
Professional /Technical service	-	-	-
Supplies and materials	-	-	-
Depreciation	-	-	-
Miscellaneous	-	-	-
Total operating expenses	<u>127,266</u>	<u>-</u>	<u>127,266</u>
Operating income (loss)	<u>(120,148)</u>	<u>13,964</u>	<u>(106,184)</u>
Nonoperating revenues:			
State sources:			
State School Breakfast Program	552	-	552
State School Lunch Program	1,052	-	1,052
Federal sources:			
National School Lunch Program	23,633	-	23,633
National School Breakfast Program	5,757	-	5,757
After School Snacks	681	-	681
Total nonoperating revenues	<u>31,675</u>	<u>-</u>	<u>31,675</u>
Net income/(loss) before contributions & transfers	(88,473)	13,964	(74,509)
Other financing sources:			
Miscellaneous revenue			-
Operating transfer in - Board contribution	88,473	-	88,473
	<u>88,473</u>	<u>-</u>	<u>88,473</u>
Change in net assets	-	13,964	13,964
Total net assets-beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets-end of year	<u>\$ -</u>	<u>\$ 13,964</u>	<u>\$ 13,964</u>

See independent auditor's report

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Food Services Enterprise Fund**

G-3

**Year ended June 30, 2008**

<b>Cash flows from operating activities</b>	
Operating loss	\$ (106,184)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(16,791)
Increase in due to General Fund	13,125
Increase in accounts payable	7,471
Net cash provided in operating activities	<u>(102,379)</u>
<b>Cash flows from noncapital financing activities</b>	
Cash received from state reimbursements	1,604
Cash received from federal reimbursements	30,071
Operating subsidies and transfers from other funds	88,473
Net cash provided by noncapital financing activities	<u>120,148</u>
<b>Cash flows from investing activities</b>	
Net (decrease) increase in cash and cash equivalents	17,769
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	<u>\$ 17,769</u>

*See independent auditor's report*

FIDUCIARY FUND

UNIVERSITY HEIGHTS CHARTER SCHOOL  
Fiduciary Funds

H-1

June 30, 2008

	Agency Fund <u>Payroll</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 99,106
Total assets	<u>\$ 99,106</u>
<b>Liabilities and fund balances</b>	
Liabilities:	
Interfund payables	\$ 99,106
Total liabilities	<u>99,106</u>
<b>Net Assets</b>	-
Total liabilities and net assets	<u>\$ 99,106</u>

*See independent auditor's report*

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Fiduciary Funds**

**H-2**

**Year ended June 30, 2008**

		<u><b>Expendable Trust Fund</b></u>
		<b>New Jersey</b>
		<u><b>Unemployment Benefits</b></u>
Revenues:		
General fund appropriation	<b>\$</b>	<b>17,158</b>
Total revenues		<u><b>17,158</b></u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u><b>17,158</b></u>
Total expenditures		<u><b>17,158</b></u>
Excess(deficiency) of revenue over(under) expenditures		-
Fund balance, beginning		<u>-</u>
Fund balance, ending	<b>\$</b>	<u><u>-</u></u>

*See independent auditor's report*

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**

H-4

Year ended June 30, 2008

	<b>Balance June 30, 2007</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2008</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 1,539,370	\$ 1,440,264	\$ 99,106
Total assets	<u>\$ -</u>	<u>\$ 1,539,370</u>	<u>\$ 1,440,264</u>	<u>\$ 99,106</u>
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ -	\$ 1,440,264	\$ 1,440,264	\$ (0)
Interfund payable	-	99,106	-	99,106
Total liabilities	<u>\$ -</u>	<u>\$ 1,539,370</u>	<u>\$ 1,440,264</u>	<u>\$ 99,106</u>

*See independent auditor's report*

LONG-TERM DEBT

UNIVERSITY HEIGHTS CHARTER SCHOOL  
 Long-Term Debt  
 Schedule of Obligations Under Renovation Loan

I-2

Year ended June 30, 2008

Interest Rate Payable	Amount of Original Issue	Amount Outstanding	Acquired Current Year	Retired Current Year	Amount Outstanding June 30, 2008
-----------------------------	--------------------------------	-----------------------	-----------------------------	----------------------------	--

NONE

\$	-	\$	-	\$	-	\$	-
----	---	----	---	----	---	----	---

*See independent auditor's report*

STATISTICAL SECTION

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-1

**Last Two Fiscal Years**  
*(accrual basis of accounting)*

	<b>Fiscal Year Ending June 30,</b>	
	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Governmental activities</b>		
Invested in capital assets, net of related debt	\$ -	\$ -
Restricted	-	-
Unrestricted	64,149	(217,613)
<b>Total governmental activities net assets</b>	<u><u>\$ 64,149</u></u>	<u><u>\$ (217,613)</u></u>
<b>Business-type activities</b>		
Invested in capital assets, net of related debt	\$ -	\$ -
Restricted	-	-
Unrestricted	13,964	-
<b>Total business-type activities net assets</b>	<u><u>\$ 13,964</u></u>	<u><u>\$ -</u></u>
<b>School-wide</b>		
Invested in capital assets, net of related debt	\$ -	\$ -
Restricted	-	-
Unrestricted	78,113	(217,613)
<b>Total charter school net assets</b>	<u><u>\$ 78,113</u></u>	<u><u>\$ (217,613)</u></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. The Charter School started operating in 2006-2007

UNIVERSITY HEIGHTS CHARTER SCHOOL  
County of Essex, New Jersey

J-2

Last Two Fiscal Years  
(accrual basis of accounting)

	Fiscal Year Ending June 30,	
	2008	2007
<b>Expenses</b>		
Governmental activities		
Instruction		
Regular	\$ 951,829	\$ 786,569
Special education	-	-
Other special education	-	-
Other instruction	-	-
Support Services:		
Tuition	-	-
Student & instruction related services	841,836	383,378
General administration	582,314	747,064
Plant Operations and Maintenance	3,321	79,274
Total governmental activities expenses	<u>2,379,300</u>	<u>1,996,285</u>
Business-type activities:		
Food service	127,266	-
Child Care	-	-
Total business-type activities expense	<u>127,266</u>	<u>-</u>
Total charter school expenses	<u>\$ 2,506,566</u>	<u>\$ 1,996,285</u>
<b>Program Revenues</b>		
Governmental activities:		
Charges for services:		
Operating grants and contributions	\$ 60,021	\$ 621,738
Capital grants and contributions	-	-
Total governmental activities program revenues	<u>60,021</u>	<u>621,738</u>
Business-type activities:		
Charges for services:		
Food service	7,118	-
Child care	13,964	-
Operating grants and contributions	31,675	-
Capital grants and contributions	88,473	-
Total business type activities program revenues	<u>141,230</u>	<u>-</u>
Total charter school program revenues	<u>\$ 201,251</u>	<u>\$ 621,738</u>
<b>Net (Expense)/Revenue</b>		
Governmental activities	\$ (2,319,279)	\$ (1,374,547)
Business-type activities	13,964	-
Total charter school-wide net expense	<u>\$ (2,305,315)</u>	<u>\$ (1,374,547)</u>
<b>General Revenues and Other Changes in Net Assets</b>		
Governmental activities:		
Property taxes levied for general purposes, net	\$ 483,324	\$ 154,971
Grants and contributions	2,097,974	994,630
Miscellaneous income	19,743	7,333
Transfers	(88,473)	-
Total governmental activities	<u>2,512,568</u>	<u>1,156,934</u>
Business-type activities:		
Transfers	88,473	-
Total business-type activities	<u>88,473</u>	<u>-</u>
Total charter school-wide	<u>\$ 2,601,041</u>	<u>\$ 1,156,934</u>
<b>Change in Net Assets</b>		
Governmental activities	\$ 281,762	\$ (217,613)
Business-type activities	13,964	-
Total charter school	<u>\$ 295,726</u>	<u>\$ (217,613)</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.

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-3**

**Last Two Fiscal Years**  
*(modified accrual basis of accounting)*

	<b>Fiscal Year Ending June 30,</b>	
	<u><b>2008</b></u>	<u><b>2007</b></u>
General Fund		
Unreserved	\$ 64,149	\$ (217,613)
Total general fund	<u>\$ 64,149</u>	<u>\$ (217,613)</u>
 All Other Governmental Funds		
Reserved	\$ -	\$ -
Unreserved, reported in:		
Special revenue fund	-	-
Capital projects fund	-	-
Debt service fund	-	-
Permanent fund	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>

**Notes**

<p>The J-3 is a ten year schedule. This sample is for the year of implementation of GASB 44. Charter Schools are not required by GASB to report years prior to the implementation date of Statement 44.</p>
---

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-4**

**Last Two Fiscal Years**  
**(Unaudited)**

Function	2008	2007
<b>Revenues</b>		
Local tax levy	\$ 483,324	\$ 154,971
Miscellaneous	28,543	7,333
State sources	2,149,195	1,573,846
Federal sources		42,522
<b>Total revenue</b>	<u>2,661,062</u>	<u>1,778,672</u>
<b>Expenditures</b>		
Instruction	951,829	786,569
Administration	841,836	383,378
Support Services	582,314	747,064
Capital Outlay	3,321	79,274
<b>Total expenditures</b>	<u>2,379,300</u>	<u>1,996,285</u>
<b>Net change in fund balances</b>	<u>\$ 281,762</u>	<u>\$ (217,613)</u>

Source: Charter School's Records

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
County of Essex, New Jersey

**Last Two Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities			Type Activities		Total Charter School	Percentage of Personal Income *	Per Capita *
	General Obligation Bonds	Certificates of Participation	Bond Anticipation Notes (BANs)	Capital Leases	Capital Leases			
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -

**NO LONG TERM DEBT FOR THE CHARTER SCHOOL**

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

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
County of Essex, New Jersey**

J-13

**Last Two Fiscal Years**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2007	280,666	\$ 3,651,183,994	\$ 13,009	5.40%
2008	280,666	3,651,183,994	13,009	5.40%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development  
<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

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

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
County of Essex, New Jersey**

J-14

**Current Year**

**2008**

<u>Employer</u>	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airlines	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	<hr/> <u>103,126</u>		<hr/> <u>73.66%</u>

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

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-15**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM**  
**Last Two Fiscal Years**

<u>Function/Program</u>	<u>2008</u>	<u>2007</u>
Instruction		
Regular	13	6
Special education	2	1
Vocational	1	1
Other instruction	5	3
Support Services:		
Student & instruction related services		
General administration	4	4
School administrative services		
Other administrative services		
Central services		
Administrative Information Technology		
Plant operations and maintenance	-	-
Pupil transportation	-	-
Other support services	3	2
Special Schools		
Food Service		
Total	<u>28</u>	<u>17</u>

**Source:** Charter School Personnel Records

UNIVERSITY HEIGHTS CHARTER SCHOOL  
County of Essex, New Jersey

Last Two Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2007	117	\$ 1,917,011	\$16,385	N/A	11	1:12	117.0	111	N/A	95.00%	
2008	231	2,375,979	10,286	-37.22%	21	1:12	231.0	219	97.44%	95.00%	

Sources: Charter School records

Note: Enrollment based on annual June Charter School 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).

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-17**

**Last Two Fiscal Years**

	<u>2008</u>	<u>2007</u>
Square Feet	31,750	31,750
Capacity (students)	324	324
Enrollment	231	117

**Source:** School Records

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-18**

**June 30, 2008**

	<b>Coverage</b>
Commercial property and general liability:	
<b>Property:</b>	
Business Personal Property	\$ 900,000
Computer Coverage	100,000
 <b>Directors &amp; Officers</b>	 3,000,000
 <b>Commercial General Liability:</b>	
General Aggregate	2,000,000
Personal & Advertising Injury Limit	1,000,000
Damage to Premises Rented by Insured	50,000
Medical Expenses - Limit Per Person	1,000
Employee Benefits Liability	1,000,000
Sexual Molestation - Per Occurrence	300,000
 Automobile	 1,000,000
 <b>Excess Liability:</b>	
Each Occurrence Limit	5,000,000
General Aggregate	5,000,000
Self Insured Retention	10,000
 <b>Workman's Compensation:</b>	
Bodily Injury by Accident	1,000,000
Bodily Injury by Disease - Policy Limit	1,000,000
 <b>Student Accident:</b>	
Standard Plan Excluding Interscholastic Athlet:	1,000,000

Source: Charter School Records

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-19

**Last Two Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year Ended</b> <b>June 30</b>	<b>Prior Year</b> <b>Refunds &amp;</b> <b>Miscellaneous</b>	<b>Total</b>
<b>2008</b>	\$ 28,543	\$ 28,543
<b>2007</b>	7,333	7,333
<b>Total</b>	<u>\$ 35,876</u>	<u>\$ 35,876</u>

\* GASB requires that ten years of statistical data be presented. The Charter School started operation in 2006-2007

Each year thereafter an additional year will be presented.

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-20**

**BY SCHOOL FACILITY**  
**Last Two Fiscal Years**

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

2007	\$ -
2008	51,560
	<hr/>
Total	<u>\$ 51,560</u>

\* School facilities as defined under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

**SINGLE AUDIT SECTION**

# *Olugbenga Olabintan*

---

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

Tel: (201) 230-7518  
Fax: (973) 368-8268  
E-mail: oolabintan@aol.com

K-1

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

The Honorable Chairperson and  
Members of the Board of Trustees  
University Heights Charter School  
County of Essex  
East Orange, New Jersey

I have audited the financial statements of the Board of Trustees of the University Heights Charter School ("the Charter School"), in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2008, and have issued my report thereon, dated October 24, 2008. I conducted my 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 my audit, I considered the University Heights Charter School Board of Trustees internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University Heights Charter School Board of Trustees' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the University Heights 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**

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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University Heights Charter School Board of Trustees' financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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.

I noted certain matters that I reported to the Board of Trustees of the University Heights Charter School in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 24, 2008.

This report is intended for the information of the management, the University Heights Charter School Board of Trustees, 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 those specified parties.

Olugbenga Olabintan, CPA



Licensed Public School Accountant

No. 20CS00230200

Olugbenga Olabintan, CPA

October 24, 2008

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

Tel: (201) 230-7518  
Fax: (973) 368-8268  
E-mail: oolabintan@aol.com

K-2

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

The Honorable Chairperson and  
Members of the Board of Trustees  
University Heights Charter School  
Essex County, New Jersey

## **Compliance**

I have audited the compliance of the Board of Trustees of the of University Heights Charter School ("the Charter School") in the County of Essex, State of New Jersey, 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 state programs for the fiscal year ended June 30, 2008. University Heights Charter School Board of Trustees' major 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 state programs is the responsibility of the Charter School Board of Trustee's management. My responsibility is to express an opinion on the Charter School Board of Trustee's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School Board of Trustee's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Charter School Board of Trustees' compliance with those requirements.

In my opinion, Board of Trustees of the University Heights Charter School, in the County of Essex, State of New Jersey, complied in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2008.

### **Internal Control Over Compliance**

The management of the Board of Trustees of Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing my audit, I considered the Charter School Board of Trustees internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of University Heights Charter School Board of Trustees' internal control over compliance.

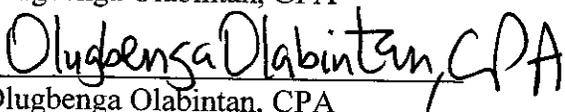
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weakness as defined above.

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

Olugbenga Olabintan, CPA



Olugbenga Olabintan, CPA  
Licensed Public School Accountant

No. 20CS00230200

October 24, 2008

UNIVERSITY HEIGHTS CHARTER SCHOOL

Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A. No.	Grant Period	Award Amount	Balance at June 30, 2007	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2008	Deferred Revenue at June 30, 2008	Due to Grantor at June 30, 2008
<b>Special Revenue Fund:</b>												
U.S. Department of Education:												
Pass-Through State Department of Education												
Title I - FY 2007-2008	84.010	9/1/07-8/31/08	\$ 98,544									\$ 36,967
Title I - FY 2006-2007	84.010	9/1/06 - 8/31/07	36,967	\$ 36,967								273
Title II, Part D - FY 2006-2007	84.281	9/1/06 - 8/31/07	273			273						1,217
Title IV - FY 2006-2007	84.186	9/1/06 - 8/31/07	1,415			1,217						283
Title V - FY 2006-2007	84.298A	9/1/06 - 8/31/07	283			283						
<b>Total U.S. Department of Education</b>						<u>38,740</u>						<u>38,740</u>
<b>Total Special Revenue Fund</b>						<u>38,740</u>						<u>38,740</u>
<b>Enterprise Fund:</b>												
U.S. Department of Agriculture												
Pass-Through New Jersey Dept of Agriculture												
National School lunch program	10.555	7/1/07-6/30/08	23,633				\$ 11,530	\$ (23,633)		\$ (12,103)		
National School breakfast program	10.553	7/1/07-6/30/08	5,757				2,584	(5,757)		(3,173)		
National After School snacks	N/A	7/1/07-6/30/08	681					(681)		(681)		
<b>Total Enterprise Fund/Total U.S. Department of Agriculture</b>							<u>14,114</u>	<u>(30,071)</u>		<u>(15,957)</u>		
<b>Total Expenditures of Federal Awards</b>						<u>\$ 38,740</u>	<u>\$ 14,114</u>	<u>\$ (30,071)</u>		<u>\$ (15,957)</u>		<u>\$ 38,740</u>

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

UNIVERSITY HEIGHTS CHARTER SCHOOL

Schedule of Expenditures of State Awards  
Year ended June 30, 2008

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2007	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2008	Deferred Revenue at June 30, 2008	Due to Grantor at June 30, 2008	
<b>State Department of Education</b>													
<b>General Fund:</b>													
Core Curriculum Standards Aid	08-495-034-5120-022	7/1/07-6/30/08	\$ 1,662,258				\$ 1,532,230	\$ (1,662,258)		\$ (130,028)			
Core Curriculum Standards Aid	07-495-034-5120-022	7/1/06-6/30/07	603,525	(86,035)		86,035							
Special Education Aid	08-495-034-5120-011	7/1/07-6/30/08	96,243			96,243		(96,243)					
Early Childhood Program Aid	08-495-034-5120-025	7/1/07-6/30/08	176,799			176,799		(176,799)					
Demonstrably Effec. Program Aid	08-495-034-5064-002	7/1/07-6/30/08	100,193			100,193		(100,193)					
TPAF-Social security	08-100-034-5095-061	7/1/07-6/30/08	61,315	(21,150)		43,682		(61,315)		(38,783)			
Abbott Aid	08-495-034-5068-001	7/1/07-6/30/08	132,376			132,376		(132,376)					
T & E Gap Aid		7/1/07-6/30/08	108,994			108,994		(108,994)					
Technology Aid		7/1/07-6/30/08	9,272			9,272		(9,272)					
Targeted-At-Risk-Aid		7/1/07-6/30/08	77,900			77,900		(77,900)					
Non-Public Student Aid	08-495-034-5120-022	7/1/07-6/30/08	152,948			161,753		(152,948)				\$ 8,805	
Total General Fund				(107,185)		2,525,477		(2,578,298)		(168,811)		8,805	
<b>Special Revenue Fund:</b>													
CADRE Grant	Not Available	7/2/06-7/1/07	110,000	39,788			11,922	(51,221)			\$ 489		
Total Special Revenue Fund				39,788			11,922	(51,221)			489		
<b>State Department of Agriculture</b>													
<b>Enterprise Fund:</b>													
State School breakfast program	08-100-010-3360-096	7/1/07-6/30/08	552			251		(552)		(301)			
State School lunch program	08-100-034-5120-067	7/1/07-6/30/08	1,052			519		(1,052)		(533)			
Total Enterprise Fund						770		(1,604)		(834)			
Total State Financial Assistance				\$ (67,397)		2,538,169		(2,631,123)		(169,645)		489	8,805

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

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**NOTES 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, University Heights 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 2. 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.

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- 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.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**FOR THE 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 GAAP basis as presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 2,097,974	\$ 2,097,974
Special Revenue Fund	51,221	-	51,221
Enterprise Fund	30,071	1,604	31,675
Total	<u>\$ 81,292</u>	<u>\$ 2,099,578</u>	<u>\$ 2,180,870</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.

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE 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     None reported

Reportable condition(s) identified that not considered to be  
material weaknesses? \_\_\_\_\_ Yes     No

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes     No

**Federal Awards:**

*On June 27, 2003, US Office of Management & Budget (OMB) amended OMB Circular A-133 to raise the audit threshold from \$300,000 to \$500,000. Thus, for fiscal years ending after December 31, 2003, organizations that expend less than \$500,000 in federal awards during a year are exempt from the single audit requirement for that year.*

*For the fiscal year ended June 30, 2008, University Heights Charter School was determined to expend less than \$500,000 in federal awards and is therefore exempt from the federal single audit requirements for 2008.*

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED**

**State Financial Assistance:**

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

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

Internal control over major programs:

Material weakness(es) identified?  Yes  No

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?  Yes  No

Identification of Major Programs:

State Grant/Project Number(s).

08-495-034-5120-022

Name of State Program

Core Curriculum Standards Aid

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**SECTION II FINANCIAL STATEMENTS AUDIT**

- NONE -

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**SECTION III MAJOR STATE FINANCIAL ASSISTANCE**

NONE –

**UNIVERSITY HEIGHTS CHARTER SCHOOL  
(ESSEX COUNTY)**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**STATUS OF PRIOR YEAR FINDINGS**

-NONE-