

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

Trenton, New Jersey
County of Mercer

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

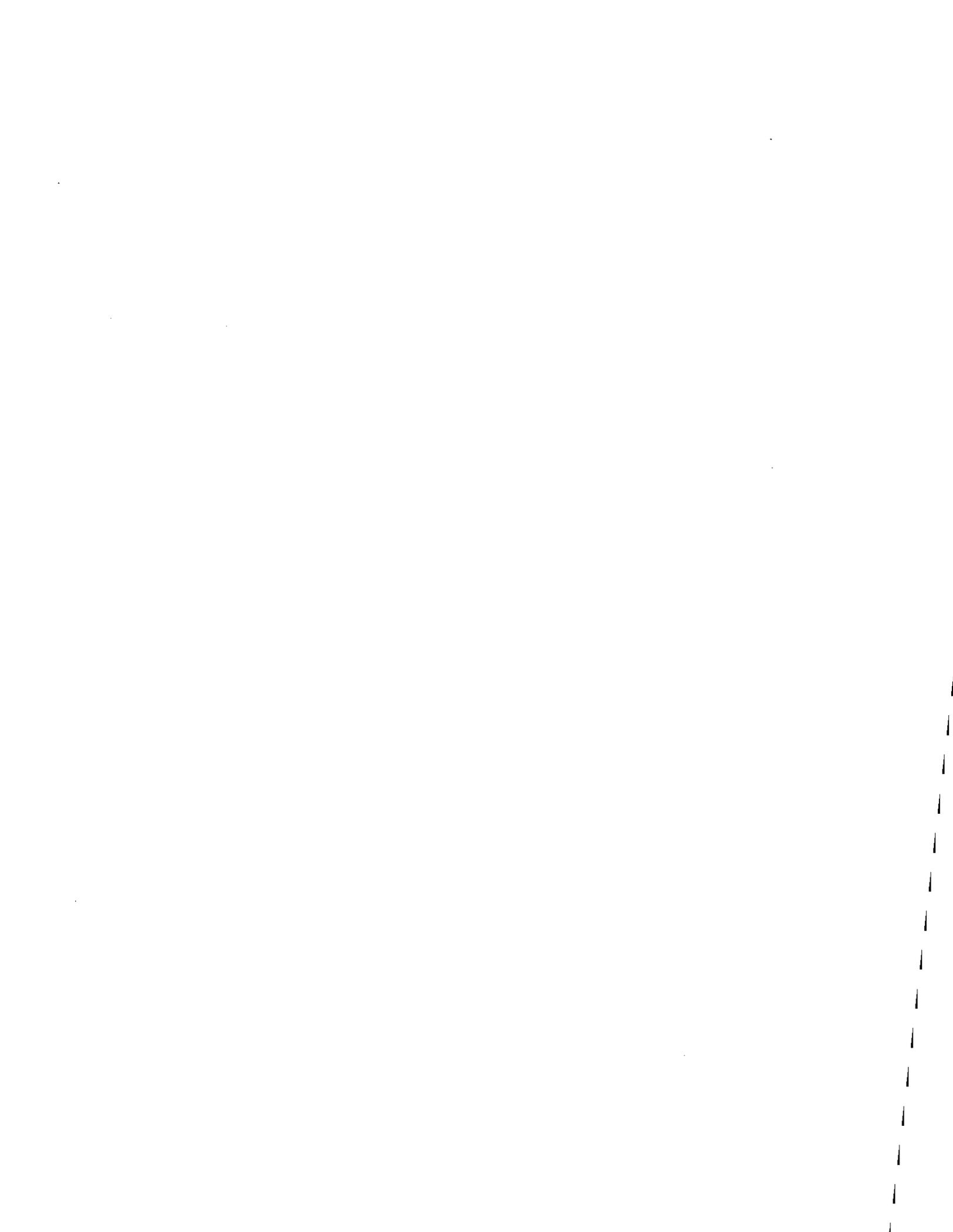
CAPITAL PREPARATORY CHARTER HIGH SCHOOL

TRENTON, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by

Capital Preparatory Charter High School Finance Department



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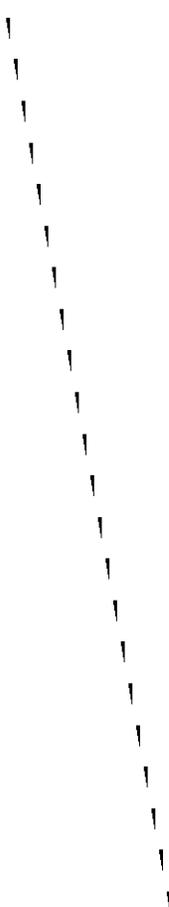
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INTRODUCTORY SECTION





Capital Preparatory Charter High School

22 Grand Street, Trenton, NJ 08611

Mr. David Bilenker
Principal/Interim CSA

February 4, 2011

Honorable President and Members of the Board of Trustees
Capital Preparatory Charter High School
Trenton, New Jersey 08611

Dear Board Members:

The Comprehensive Annual Financial Report of Capital Preparatory Charter High School for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Capital Preparatory Charter High School Board of Trustees. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the 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 District's Organizational Chart and a list of principal officials. The Financial Section includes the Basic Financial Statements and Schedules, as well as the Auditor's Report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended by 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", the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments" and State Treasury Circular Letter 04-04. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendation, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: Capital Preparatory Charter High School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB 23. All funds and account groups of the Charter School are included in this report.

The mission of Capital Preparatory Charter High School is to provide challenging and structured educational opportunities that maximize students' learning potential in accordance with individual needs, interests, and abilities. Capital Preparatory Charter High School provides a full range of educational services for its students and offers a comprehensive standards-based curriculum with a strong emphasis on college preparation. Educational services include regular education, special education and basic skills remediation. The charter school is undoubtedly achieving its mission as is evident in the number of recent college acceptances and positive student outcomes on standardized state testing.

Average Daily Enrollment

<u>FISCAL YEAR</u>	<u>STUDENT ENROLLMENT</u>	<u>AVERAGE DAILY ENROLLMENT</u>
2008-2009	178	167
2009-2010	275	264

2. ECONOMIC CONDITION AND OUTLOOK:

In August of 2008, the school's charter was approved by the New Jersey Department of Education. Since this time, Capital Preparatory Charter High School has acquired a stable, dedicated staff that is committed to the success of its students. The charter school has also established a strong sense of community among its stakeholders. This can be seen in the number of traditions and ceremonies that are ritually celebrated by the staff, students, and families. As a result of these accomplishments, the local and greater community firmly believes in the school's mission and trust that the charter school's staff is steadfast in preparing our students to become productive citizens in the 21st century.

As residents of the city of Trenton, Capital Preparatory Charter High School's parents have the option to send their children to one of the various neighboring public schools/ private schools. Despite having this option, the majority of our students' parents/guardians have elected to have their child/children complete their secondary education with Capital Preparatory Charter High School. A significant number of the students in the charter school's first graduating class commenced have remained with the charter school since its inaugural year. This pattern is indicative of student and parental satisfaction with the school.

According to recent parent surveys, 90% of Capital Preparatory Charter High School parents are pleased with their child's academic progress. They also stated that they would recommend the school to their friends. These same parents work collaboratively with the teaching staff and understand the importance in partnering with the school to ensure the social, emotional, and academic success of their children.

It is our goal to continue to garner data and parental feedback to improve upon the instructional and non-instructional programs offered at Capital Preparatory Charter High School. The staff and administration whole-heartedly believe in the notion that Capital Preparatory Charter High School is a work in progress. We will continue to strive toward providing students with a rigorous program of study that will prepare them for a four year college and or university and beyond.

3. MAJOR INITIATIVES: The Capital Preparatory Charter High School has developed a comprehensive strategic plan to support its mission and vision. The plan consists of various objectives, such as pupil achievement measured by standardized test scores and teacher assessment instruments; the implementation of formal professional development workshops for certified and non-certified staff; the employment of the Charter School's technology plan.

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

As a recipient of Federal and State awards, the charter school also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the charter school management.

As part of the charter school's Single Audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to Federal and State awards, as well as to determine that the District 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 the Special Revenue Fund and the Debt Service Fund. Project-length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the fiscal year is reflected in the Financial Section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

6. CASH MANAGEMENT: The investment policy of the charter school is guided in large part by state statute as detailed in "Notes to the Basic Financial Statement" Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Government Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: The Board of Trustees carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

8. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman & Frenia, P.C. was selected by the Board. 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 of 1984, as amended by the Single Audit Act of 1996, and the related OMB Circular A-133 and State Treasury Circular Letter 04-04. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

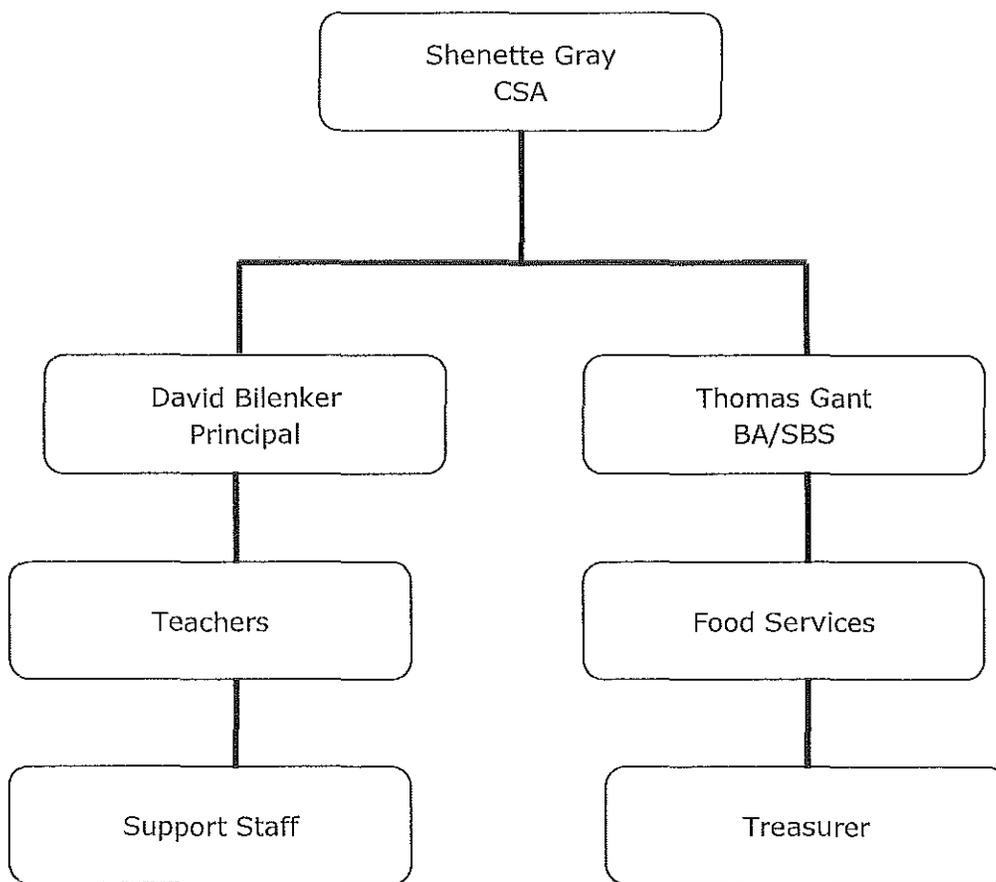
9. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Capital Preparatory Charter High School's Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David Bilenker', with a long horizontal flourish extending to the right.

David Bilenker
Chief School Administrator

Capital Preparatory Charter High School Organization Chart



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**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
TRENTON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2010**

MEMBERS OF THE BOARD OF TRUSTEES

Dosiree Mims	Board President
Sandra Farrakhan	Vice President
Tracy Hailman	Member
Doris Dingle	Member
Carmen Roman-Livingston	Member
Mary Ann Horn	Member
Wendy Kelley	Member
Jessie Tossie	Member
Edythe Wilson	Member
Tikiba N. Miller	Member

SCHOOL OFFICIALS

Shenette Gray	School Leader
David Bilenker	Principal
Thomas Gant	School Business Administrator

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
Trenton, New Jersey

CONSULTANTS AND ADVISORS

AUDIT FIRM

Holman & Frenia, P. C.
618 Stokes Road
Medford, New Jersey 08055

ATTORNEY

Robert Schwartz
12 Centre Drive
Union, New Jersey 07083

OFFICIAL DEPOSITORY

Wachovia Bank
Trenton Financial Center
One West State Street
Trenton, New Jersey 08608

FINANCIAL SECTION



Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Capital Preparatory Charter High School
County of Mercer
Trenton, New Jersey 08618

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the Board of Trustees of the Capital Preparatory Charter High School, County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management.

The Capital Preparatory Charter High School was unable to provide evidence of executed contracts or properly approved vouchers and invoices for payments made to vendors during and for the year ended June 30, 2010. Furthermore, the Capital Preparatory Charter High School's records do not permit the application of other auditing procedures to school expenditures.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Respectfully submitted,

HOLMAN & FRENIA, P. C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant
No. 1011

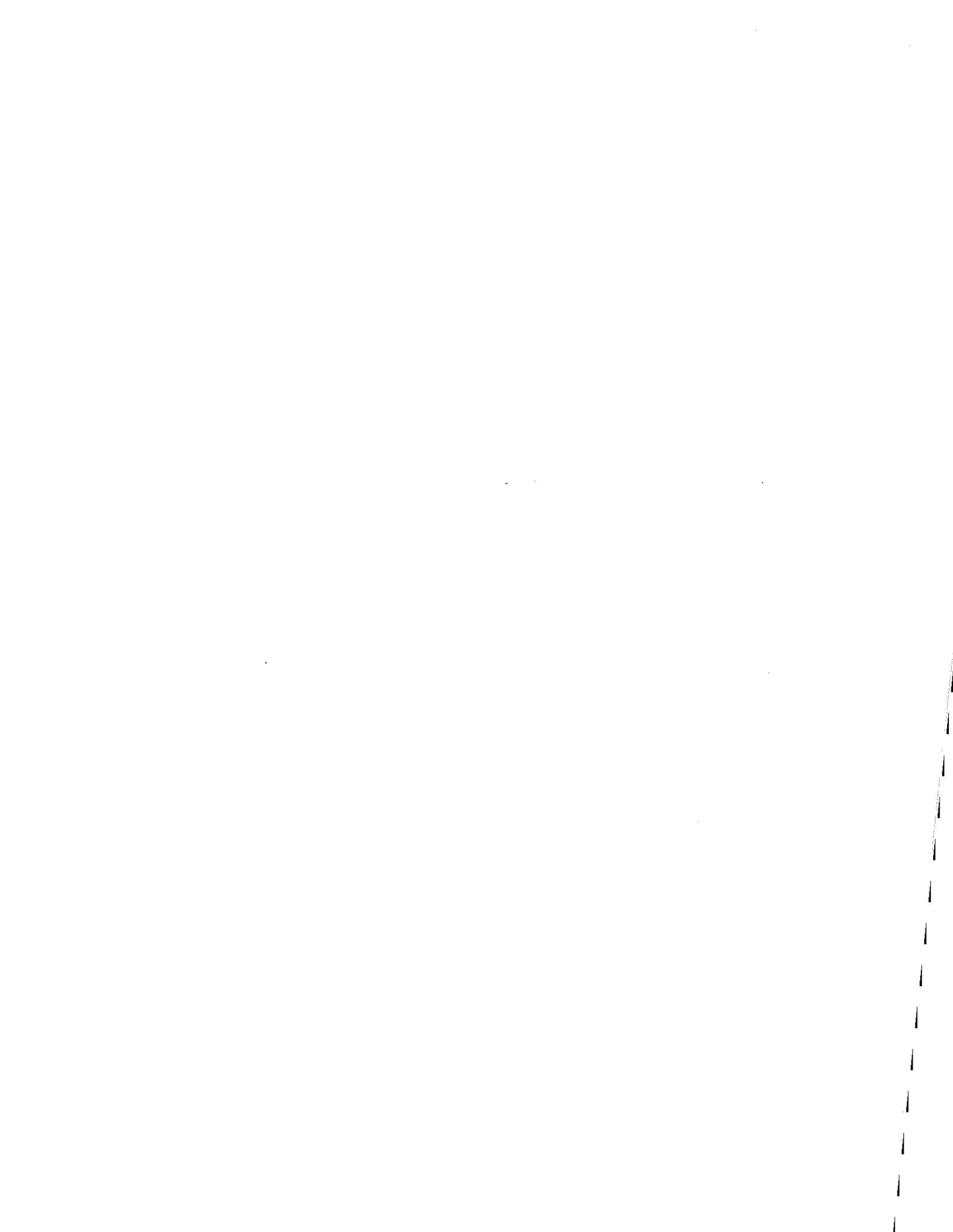
Medford, New Jersey
February 4, 2011

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis

Not Available

BASIC FINANCIAL STATEMENTS



A. District-Wide Financial Statements

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS (MEMORANDUM ONLY)	
			JUNE 30, 2010	JUNE 30, 2009
Cash & Cash Equivalents	\$401,607	2,723	404,330	736,031
Other Current Assets	55,374		55,374	
Receivables, Net	12,065	9,446	21,511	268,500
Total Assets	469,046	12,169	481,215	1,004,531
LIABILITIES				
Other Payables		9,510	9,510	128,305
Payable to Federal Government	34,667		34,667	
Payable to State Government	306,013		306,013	136,271
Loan Payable	150,000		150,000	
Accounts Payable				3,346
Deferred Revenue	104,868		104,868	110,953
Total Liabilities	595,548	9,510	605,058	378,875
NET ASSETS				
Restricted for:				
General Fund				42,948
Unrestricted	(126,502)	2,659	(123,843)	582,708
Total Net Assets	(\$126,502)	2,659	(123,843)	625,656

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

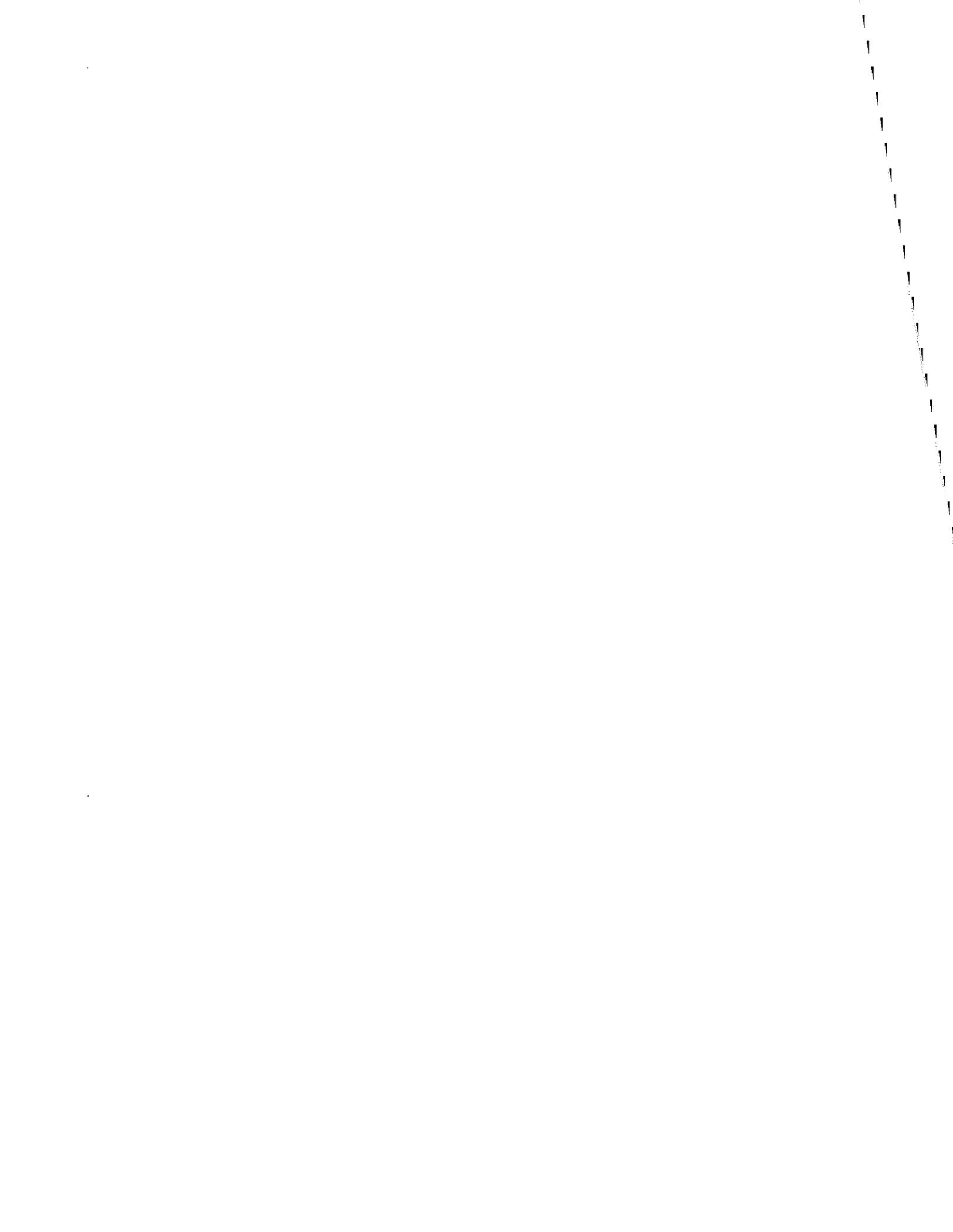
**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS (MEMORANDUM ONLY)	
						JUNE 30, 2010	JUNE 30, 2009
Governmental Activities:							
Instruction	\$2,432,387		572,094	(1,860,293)		(1,860,293)	(1,116,479)
Administration	1,474,169			(1,474,169)		(1,474,169)	(562,870)
Support Services	1,696,006		268,248	(1,427,758)		(1,427,758)	(972,543)
Unallocated Benefits	150,065			(150,065)		(150,065)	
Capital Outlay	442,214		9,730	(432,484)		(432,484)	(26,749)
Total Governmental Activities	6,194,841		850,072	(5,344,769)		(5,344,769)	(2,678,641)
Business-Type Activities:							
Proprietary Funds	90,357	4,773	48,892		(36,692)	(36,692)	(19,832)
Total Business-Type Activities	90,357	4,773	48,892		(36,692)	(36,692)	(19,832)
Total Primary Government	\$6,285,198	4,773	898,964	(5,344,769)	(36,692)	(5,381,461)	(2,698,473)
General Revenues:							
General Purposes				399,906		399,906	281,290
Federal & State Aid Not Restricted				4,024,281		4,024,281	2,964,701
Miscellaneous Income				207,775		207,775	18,955
Transfers							59,183
Total General Revenues, Special Items, Extraordinary Items & Transfers				4,631,962		4,631,962	3,324,129
Change In Net Assets				(712,807)	(36,692)	(749,499)	625,656
Net Assets - Beginning				586,305	39,351	625,656	
Net Assets - Ending				(\$126,502)	2,659	(123,843)	625,656

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

B. Fund Financial Statements

Governmental Funds



**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

(With Comparative Totals for June 30, 2009)

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS (MEMORANDUM ONLY)	
			JUNE 30, 2010	JUNE 30, 2009
ASSETS & OTHER DEBITS				
Cash & Cash Equivalents	\$117,086	284,521	401,607	700,002
Interfund Receivables	157,051		157,051	134,953
Receivables from Other Governments				74,851
Other Assets	55,374		55,374	55,374
	<hr/>			
Total Assets	\$329,511	284,521	614,032	965,180
	<hr/>			
LIABILITIES & FUND BALANCES				
Liabilities:				
Interfund Payables		144,986	144,986	128,305
Payable to State Government	\$306,013		306,013	136,271
Payable to Federal Government		34,667	34,667	
Loan Payable	150,000		150,000	
Accounts Payable				3,346
Deferred Revenue		104,868	104,868	110,953
	<hr/>			
Total Liabilities	456,013	284,521	740,534	378,875
	<hr/>			
Fund Balances:				
Reserved for:				
Encumbrances				42,948
General Fund	(126,502)		(126,502)	543,357
	<hr/>			
Total Fund Balances	(126,502)		(126,502)	586,305
	<hr/>			
Total Liabilities & Fund Balances	\$329,511	284,521		
	<hr/>			
Net assets of Governmental Activities			(126,502)	586,305
	<hr/>			

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

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS (MEMORANDUM ONLY)	
			JUNE 30, 2010	JUNE 30, 2009
Revenues:				
Local Sources:				
Local Levy	\$399,906		399,906	281,290
Miscellaneous	207,775		207,775	18,955
Total Local Sources	607,681		607,681	300,245
State Sources	4,024,281		4,024,281	2,725,637
Federal Sources		850,072	850,072	239,064
Total Revenues	4,631,962	850,072	5,482,034	3,264,946
Expenditures:				
Instruction	1,860,293	572,094	2,432,387	943,610
Administration	1,474,169		1,474,169	784,949
Support Services	1,427,758	268,248	1,696,006	923,333
Unallocated Benefits	150,065		150,065	
Capital Outlay	432,484	9,730	442,214	26,749
Total Expenditures	5,344,769	850,072	6,194,841	2,678,641
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	(712,807)		(712,807)	586,305
Fund Balances July 1	586,305		586,305	
Fund Balances June 30	(\$126,502)	-	(126,502)	586,305

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

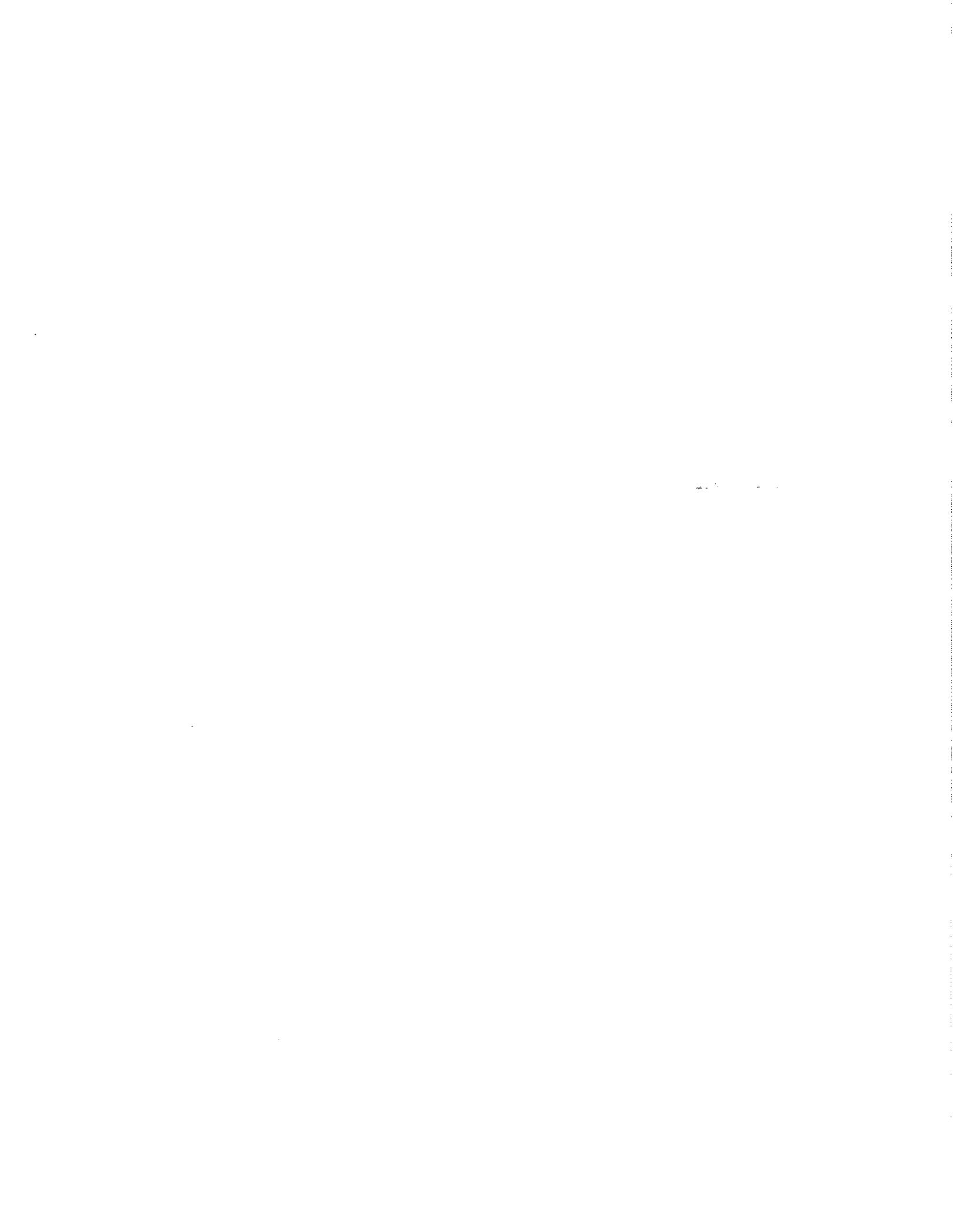
EXHIBIT B-3

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Total Net Change in Fund Balances - Governmental Funds (From B-2)	<u>(\$712,807)</u>
Change in Net Assets of Governmental Activities	<u><u>(\$712,807)</u></u>

See accompanying notes to the financial statements.

Proprietary Funds



**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2010
 (With Comparative Totals for June 30, 2009)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS (MEMORANDUM ONLY)	
ASSETS		JUNE 30, 2010	JUNE 30, 2009
Cash & Cash Equivalents	\$2,723	2,723	36,029
Accounts Receivable:			
Due from Other Funds			1,267
Receivables from Other Governments:			
State	360	360	90
Federal	9,086	9,086	1,965
Total Assets	12,169	12,169	39,351
LIABILITIES			
Due to General Fund	9,510	9,510	
Total Liabilities	9,510	9,510	
NET ASSETS			
Unreserved Net Assets	2,659	2,659	39,351
Total Net Assets	\$2,659	2,659	39,351

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

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (With Comparative Totals for June 30, 2009)**

	BUSINESS-TYPE ACTIVITIES - <u>FOOD SERVICE</u>	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2010	JUNE 30, 2009
Operating Revenues:			
Charges for Services:			
Daily Sales Nonreimbursable Programs	\$4,773	4,773	282
Total Operating Revenue	<u>4,773</u>	<u>4,773</u>	<u>282</u>
Operating Expenses:			
Cost of Sales	<u>90,357</u>	<u>90,357</u>	<u>59,183</u>
Total Operating Expenses	<u>90,357</u>	<u>90,357</u>	<u>59,183</u>
Operating Income/(Loss)	<u>(85,584)</u>	<u>(85,584)</u>	<u>(58,901)</u>
Nonoperating Revenues:			
Board Contributions			59,183
State Sources:			
State School Breakfast Program	230	230	413
State School Lunch Program	1,625	1,625	1,269
Federal Sources:			
National School Breakfast Program	4,000	4,000	5,783
National School Lunch Program	<u>43,037</u>	<u>43,037</u>	<u>31,604</u>
Total Nonoperating Revenues	<u>48,892</u>	<u>48,892</u>	<u>98,252</u>
Net Income/(Loss)	(36,692)	(36,692)	39,351
Net Assets - July 1	<u>39,351</u>	<u>39,351</u>	
Net Assets - June 30	<u>\$2,659</u>	<u>2,659</u>	<u>39,351</u>

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

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (With Comparative Totals for June 30, 2009)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2010	JUNE 30, 2009
Cash Flows From Operating Activities:			
Receipts from Customers	(\$1,351)	(1,351)	282
Payments to Suppliers & Employees	(80,847)	(80,847)	(62,505)
Net Cash Provided/(Used) by Operating Activities	(82,198)	(82,198)	(62,223)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	48,892	48,892	39,069
Operating Transfers In			59,183
Net Cash Provided by Noncapital Financing Activities	48,892	48,892	98,252
Net Increase/(Decrease) in Cash & Cash Equivalents	(33,306)	(33,306)	36,029
Balances - Beginning of Year	36,029	36,029	
Balances - Ending of Year	\$2,723	2,723	36,029

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	(\$85,584)	(85,584)	(58,901)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:			
Change in Assets & Liabilities:			
Decrease/(Increase) Interfund Accounts Receivable	1,267	1,267	(1,267)
Increase/(Decrease) Intergovernmental Accounts Receivable	(7,391)	(7,391)	(2,055)
Increase/(Decrease) Interfund Accounts Payable	9,510	9,510	
Total Adjustments	3,386	3,386	(3,322)
Net Cash Provided/(Used) by Operating Activities	(\$82,198)	(82,198)	(62,223)

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

Fiduciary Fund

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

	<u>AGENCY</u>		<u>PRIVATE PURPOSE</u>	<u>TOTALS</u>	
	<u>PAYROLL</u>	<u>STUDENT</u>	<u>UNEMPLOYMENT</u>	<u>(MEMORANDUM ONLY)</u>	
ASSETS	FUND	ACTIVITY	COMPENSATION TRUST	JUNE 30, 2010	JUNE 30, 2009
Cash & Cash Equivalents	\$43,998	2,177	5,862	52,037	37,875
Interfund Receivables					1,604
Total Assets	43,998	2,177	5,862	52,037	39,479
LIABILITIES					
Interfund Payable	2,555			2,555	9,519
Accounts Payable		2,177		2,177	1,641
Payroll Deductions & Withholdings	41,443			41,443	28,319
Total Liabilities	43,998	2,177		46,175	39,479
NET ASSETS					
Reserved:					
Unemployment Claims			5,862	5,862	
Total Net Assets	-	-	5,862	5,862	-

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

**CAPITAL PREPARATORY CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

ADDITIONS	<u>PRIVATE PURPOSE UNEMPLOYMENT COMPENSATION TRUST</u>	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2010	JUNE 30, 2009
Contributions:			
Other	\$5,862	5,862	
		<hr/>	
Total Contributions	5,862	5,862	
		<hr/>	
Net Assets - Beginning of the Year	-	-	-
		<hr/>	
Net Assets - End of the Year	\$5,862	5,862	
		<hr/> <hr/>	

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

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
BOARD OF TRUSTEES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

The financial statements of the Board of Trustees (Board) of the Capital Preparatory Charter High School (Charter School) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Board's accounting policies are described below.

A. Reporting Entity:

The Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The School is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School.

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

The combined financial statements include all funds and account groups for the Charter School over which the Board of Trustees exercises operating control.

B. Basis of Presentation, Basis of Accounting

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

Charter School-wide 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 overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued):

specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

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

The Charter School reports the following governmental funds:

Governmental Funds:

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

As required by the New Jersey Department of Education, the Charter High School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles (GAAP) as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued):

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 or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Proprietary Fund:

Enterprise (Food Service) Fund - The enterprise fund is used to accounts for all revenues and expenses pertaining to the cafeteria operations. The Food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund:

Fiduciary funds are used to account for assets held by the Charter School on the behalf of others and include the Payroll Agency Fund, Net Payroll Account, Unemployment Trust and Student Activities.

Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose 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 statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used for measuring financial position and operating results of basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within 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 fund revenues.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued): JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued):

Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Capital Preparatory Charter High School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and private purpose trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund.

Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C.6:20-2A(m)1*. All budget amendments must be approved by School Board resolution.

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

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

The following presents a reconciliation of the special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, and Special Revenues Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types:

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued):

C. Budgets/Budgetary Control (continued):

Notes to Required Supplementary Information.
Budgetary Comparison Schedule

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<u>\$4,631,962</u>	<u>\$850,072</u>
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$4,631,962</u>	<u>\$850,072</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$5,344,769</u>	<u>\$850,072</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$5,344,769</u>	<u>\$850,072</u>

D. Encumbrances:

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

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

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

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):

JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued):

E. Cash, Cash Equivalents and Investments:

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

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

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

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

F. Inventories & Prepaid Expenses

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

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

Prepaid expenses, which benefit future periods, other than those recorded in the enterprise funds, are recorded as expenditure during the year of purchase. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

G. Short-Term Interfund Receivables/Payables

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

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):

JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued):

H. Fixed Assets:

General fixed assets acquired or constructed during the year are reported in the applicable governmental or business-type activities columns in the Charter School-wide financial statements. Fixed assets are defined by the Charter School as assets, which have a cost in excess of \$2,000 at the date of acquisition and a useful life of one year or more. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed were valued by an independent appraisal company. General fixed assets, such as land and buildings, are valued at the historical cost basis and through estimated procedures performed by an independent appraisal company, respectively.

General fixed assets are reflected as expenditures in the applicable governmental funds. Depreciation expense is recorded in the Charter School-wide financial statements as well as the proprietary fund. Capital assets are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally estimated useful lives are as follows:

Machinery and Equipment	3 – 20 Years
Building & Other Improvements	7 – 60 Years
Infrastructure	30 Years

I. Accrued Salaries and Wages

Charter School employees, who provide services to the Charter School over the ten-month academic year and extended eleven-month calendar, do not have the option to have their salaries disbursed during the entire twelve-month year. Therefore, there is no accrual as of June 30, 2010 for such salaries.

J. 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 already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In the Charter School-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

K. Deferred Revenue

Deferred revenue in the general and special revenue funds represents cash, which has been received but not yet earned.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):

JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued):

L. Long-Term Obligations

In Charter School-wide financial statements, under governmental activities, long-term debt is recognized as a liability in the general fund as debt is incurred.

M. Fund Equity

The Charter School reserves those portions of fund balance which are legally segregated for a specific use or which do not represent available expendable resources and, therefore, are not available for appropriation of expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Note 2. Cash and Cash Equivalents and Investments

The Charter School is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at June 30, 2010, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	<u>\$456,367</u>
Total Deposits	<u>\$456,367</u>
Reconciliation to Statements of Net Assets:	
Governmental Funds	\$401,067
Business-Type Funds	2,723
Fiduciary Funds	<u>52,037</u>
Total Cash and Cash Equivalents	<u>\$456,367</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$639,979 at June 30, 2010. Of the bank balance \$400,000 was fully insured by the FDIC (Federal Depository Insurance Corporation) and \$239,979 was secured by a collateral pool held by the bank, but not in the Charter School's name, as required by New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described in Note 3 of these financial statements.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010**

Note 2. Cash and Cash Equivalents and Investments (continued):

Investment Interest Rate Risk – The Charter School has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at June 30, 2010, are provided in the above schedule.

Investment Credit Risk – The Charter School has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Charter School;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

Concentration of Investment Credit Risk – The Charter School places no limit on the amount it may invest in any one issuer.

Note 3. Governmental Unit Deposit Protection Act (GUDPA)

The Charter School has deposited cash in 2010 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act. In addition to savings and checking accounts the Charter School invests monies in certificates of deposits.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010

Note 3. Governmental Unit Deposit Protection Act (GUDPA) (continued):

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Charter School should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010

Note 4. Fixed Assets

There was no record of fixed assets provided by the Capital Preparatory Charter High School.

Note 5. Long-Term Debt

Rental Lease:

The School leased space at the premises located at 22 Grand Street and 719 Cass Street, Trenton, NJ under a lease agreement for four years commencing July 1, 2008 and ending June 30, 2012. The lease required annual rental payments of \$414,500 for the first year and thereafter shall be adjusted by the increase as detailed in the lease agreement. The rental payments are as follows:

YEAR	AMOUNT
2011	\$414,500
2012	414,500

Note 6. Pension Plans

Plan Descriptions - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (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 Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established in January 1955, under the provisions of *N.J.S.A. 18A:66* to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' 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 system's other related noncontributing 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.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established in January 1955 under the provisions of *N.J.S.A. 43:15A* to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):

JUNE 30, 2010

Note 6. Pension Plans (continued):

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, school district, 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.

Vesting and Benefit Provisions - The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B* and *N.J.S.A.18A:6C* for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined 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 members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Significant Legislation -- During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Charter School's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the TPAF and the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010**

Note 6. Pension Plans (continued):

Contribution Requirements – The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, 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 5.5% 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 both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of the TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	NONE	100%	NONE
6/30/09	NONE	100%	NONE
6/30/08	NONE	100%	NONE

Three-Year Trend Information for TPAF (Paid on behalf of the Charter School)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	NONE	100%	NONE
6/30/09	NONE	100%	NONE
6/30/08	NONE	100%	NONE

In accordance with *N.J.S.A.18A:66-66* the State of New Jersey reimbursed the Charter School \$150,065 for the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

Note 7. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers’ Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):

JUNE 30, 2010

Note 7. Post-Retirement Benefits (continued):

retirement medical benefits for those State Employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

Note 8. Risk Management

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

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

New Jersey Unemployment Compensation Insurance – The Charter School has elected to fund their New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan the Charter School has a quarterly contribution due based on the amount of wages paid for the quarter and remits these funds with the employee withholdings to the State.

Note 9. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2010:

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010

Note 9. Interfund Receivables and Payables (continued):

Fund	Interfund Receivable	Interfund Payable
General Fund	\$157,051	
Special Revenue		\$144,986
Proprietary Fund		9,510
Fiduciary Funds	<u> </u>	<u>2,555</u>
Total	<u>\$157,051</u>	<u>\$157,051</u>

Note 10. Fund Balance Appropriated

General Fund – Of the \$(126,502) General Fund fund balance at June 30, 2010, \$(126,502) is unreserved and undesignated.

Note 11. 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 vacation and sick leave in varying amounts under the Charter School's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for specified dollar amount per sick day accumulated and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net assets under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2010 is unavailable.

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, 2010 no liability existed for compensated absences in the proprietary fund types.

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2010**

Note 12. Note Payable

On June 7th of 2010, the Charter High School opened a line of credit with TD Bank, N.A. for \$300,000 to compensate for cash flow difficulties. As of June 30, 2010, the Charter School had accessed \$150,000 of the line of credit.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

C. Budgetary Comparison Schedules

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	JUNE 30, 2010				POSITIVE/ (NEGATIVE)	JUNE 30, 2009				POSITIVE/ (NEGATIVE)
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
Revenues:										
Local Sources:										
"Local Levy" - Local Share:										
Charter School Aid	\$360,061		360,061	399,906	39,845	281,290		281,290	281,290	
35 Total Local Sources	360,061		360,061	399,906	39,845	281,290		281,290	281,290	
Categorical Aid:										
"Local Levy" - State Share:										
Charter School Aid	3,280,968		3,280,968	3,644,046	363,078	2,372,734		2,372,734	2,372,734	
Special Education	162,791		162,791	118,922	(43,869)	80,476		80,476	80,476	
Early Childhood Program Aid						108,961		108,961	108,961	
Security Aid	95,262		95,262	111,248	15,986	79,482		79,482	79,482	
Total Categorical Aid	3,539,021		3,539,021	3,874,216	335,195	2,641,653		2,641,653	2,641,653	
Revenues from Other Sources:										
Nonbudgeted:										
Reimbursed TPAF Social										
Security Contribution				150,065	150,065				83,984	83,984
Contributions/Donations				14,732	14,732				17,955	17,955
Miscellaneous Revenue				193,043	193,043				1,000	1,000
Total Revenues from Other Sources				357,840	357,840				102,939	102,939
Total Revenues	3,899,082		3,899,082	4,631,962	732,880	2,922,943		2,922,943	3,025,882	102,939

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	JUNE 30, 2010				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	JUNE 30, 2009				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Expenditures:										
Instruction:										
Salaries of Teachers	1,300,750		1,300,750	1,295,207	5,543	800,000		800,000	737,627	62,373
Other Salaries for Instruction	90,000		90,000	17,347	72,653	44,000		44,000	19,035	24,965
36 Purchased Professional - Technical Services	71,600		71,600	93,485	(21,885)	63,500		63,500	60,224	3,276
Other Purchased Services	35,000		35,000	32,756	2,244	504		504	340	164
General Supplies	151,000		151,000	332,729	(181,729)	125,523		125,523	33,084	92,439
Textbooks	133,242		133,242	63,839	69,403	67,000		67,000	11,378	55,622
Miscellaneous	15,000		15,000	24,930	(9,930)	7,115		7,115	5,426	1,689
Total Instruction	1,796,592		1,796,592	1,860,293	(63,701)	1,107,642		1,107,642	867,114	240,528
Administration:										
Salaries - General Administration	328,000		328,000	417,003	(89,003)	221,420		221,420	214,541	6,879
Salaries for Secretarial/Clerical Assistants	75,000		75,000	73,428	1,572	65,130		65,130	65,130	
Health Benefits Costs	430,000		430,000	521,498	(91,498)	303,189		303,189	262,434	40,755
Purchased Professional - Technical Services	147,500		147,500	216,018	(68,518)	216,783		216,783	60,664	156,119
Other Purchased Services	18,850		18,850	69,802	(50,952)	18,400		18,400	12,240	6,160
Communications/Telephone	20,000		20,000	77,967	(57,967)					
General Supplies	12,500		12,500	79,027	(66,527)	19,800		19,800	17,537	2,263
Textbooks						52,600		52,600	51,470	1,130
Miscellaneous Expenses	1,500		1,500	19,426	(17,926)	19,800		19,800	16,949	2,851
Total Administration	1,033,350		1,033,350	1,474,169	(440,819)	917,122		917,122	700,965	216,157

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

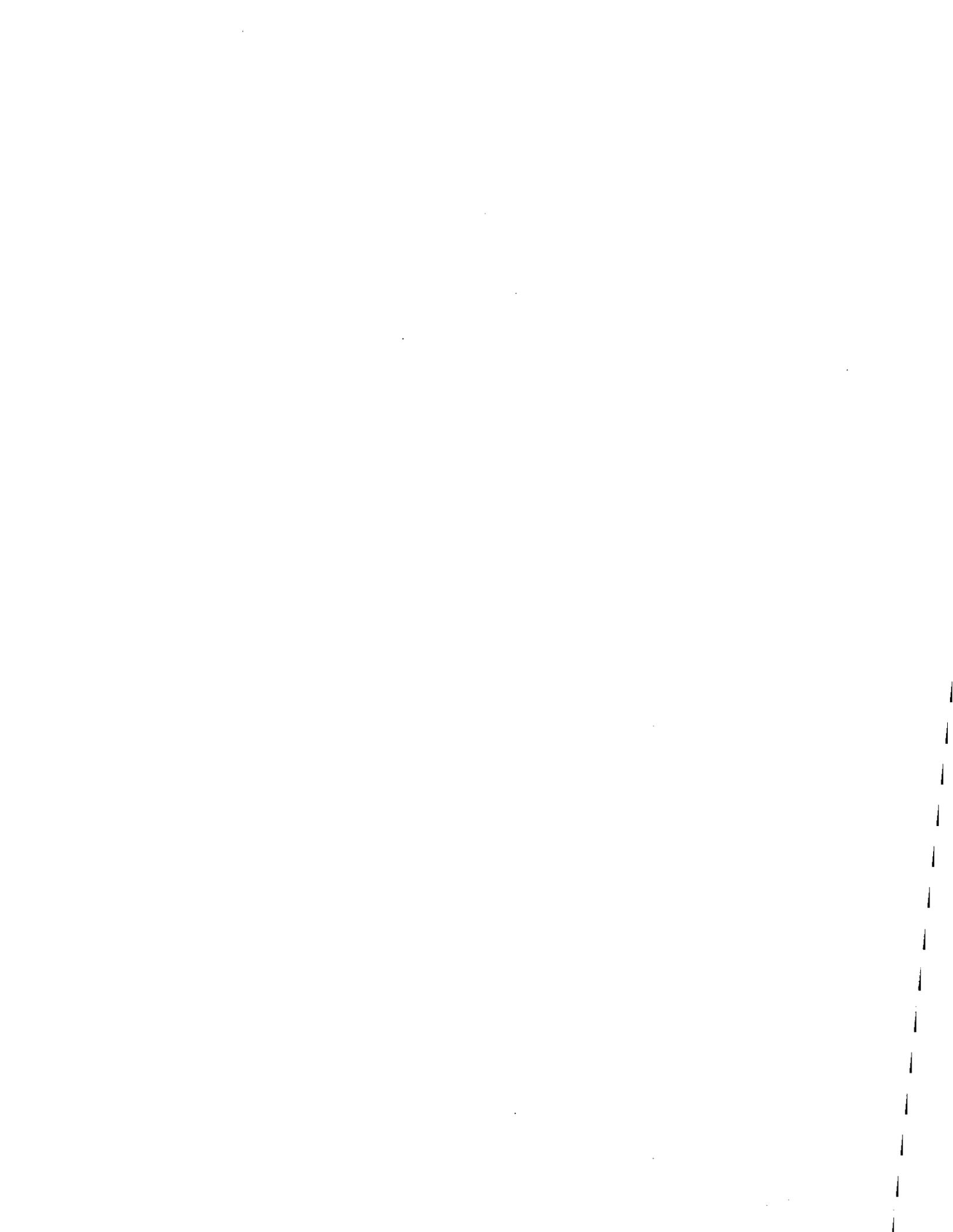
	JUNE 30, 2010				POSITIVE/ (NEGATIVE)	JUNE 30, 2009				POSITIVE/ (NEGATIVE)
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
Other Operation & Maintenance of Plant:										
Salaries	219,890		219,890	464,140	(244,250)	189,300		189,300	183,483	5,817
Purchased Professional & Technical Services	145,000		145,000	158,759	(13,759)	69,000		69,000	5,240	63,760
Cleaning, Repair & Maintenance Services	150,000		150,000	224,055	(74,055)	107,500		107,500	97,926	9,574
Rental of Land & Building Other Than Lease Purchase Agreement	300,000		300,000	300,000		332,800		332,800	214,500	118,300
Other Purchased Services						94,800		94,800	86,248	8,552
Transportation - Other Than To/From School	1,000		1,000	14,584	(13,584)	3,000		3,000	2,000	1,000
Insurance for Property, Liability & Fidelity	38,000		38,000	22,895	15,105	65,300		65,300	47,191	18,109
Supplies and Materials	35,000		35,000	148,410	(113,410)	32,800		32,800	24,926	7,874
Energy (Heat & Electricity)	50,000		50,000	89,973	(39,973)	61,900		61,900	61,843	57
Miscellaneous Expenses	5,250		5,250	4,942	308	65,050		65,050	59,358	5,692
Total Other Operation & Maintenance of Plant	944,140		944,140	1,427,758	(483,618)	1,021,450		1,021,450	782,715	238,735
Capital Outlay:										
Land Improvements	125,000		125,000	329,009	(204,009)					
Equipment:										
Non-Instructional Equipment				94,375	(94,375)					
Instructional Equipment				9,100	(9,100)	13,000		13,000	4,799	8,201
Total Capital Outlay	125,000		125,000	432,484	(307,484)	13,000		13,000	4,799	8,201
Nonbudgeted:										
Reimbursed TPAF Social Security Contribution				150,065	(150,065)				83,984	(83,984)
Total Expenditures	3,899,082		3,899,082	5,344,769	(1,445,687)	3,059,214		3,059,214	2,439,577	619,637
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Sources/(Uses)				(712,807)	(712,807)	(136,271)		(136,271)	586,305	722,576
Excess/(Deficiency) of Revenues Over/(Under) Expenditures After Other Financing Sources/(Uses)				(712,807)	(712,807)	(136,271)		(136,271)	586,305	722,576
Fund Balances, July 1	586,305		586,305	586,305						
Fund Balances, June 30	\$586,305	-	586,305	(126,502)	(712,807)	(136,271)	-	(136,271)	586,305	722,576

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**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	JUNE 30, 2010				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	JUNE 30, 2009				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
REVENUES										
Federal Sources	\$1,001,270		1,001,270	850,072	(151,198)	349,017		349,017	239,064	(109,953)
Total Revenues	1,001,270		1,001,270	850,072	(151,198)	349,017		349,017	239,064	(109,953)
EXPENDITURES:										
Instruction:										
Salaries of Teachers	293,125		293,125	284,125	9,000	25,000		25,000	25,000	
Purchased Professional - Technical Services	149,259		149,259	122,706	26,553	6,552		6,552	6,552	
General Supplies	193,422		193,422	114,526	78,896	91,196		91,196	44,975	46,221
Other Objects	57,672		57,672	50,737	6,935					
Total Instruction	693,478		693,478	572,094	121,384	122,748		122,748	76,527	46,221
Support Services:										
Salaries of Supervisors of Instruction	26,800		26,800	26,800		74,213		74,213	47,413	26,800
Personal Services - Employee Benefits	53,461		53,461	52,084	1,377	12,735		12,735	12,735	
Purchased Professional & Educational Services	127,526		127,526	101,318	26,208	56,069		56,069	37,968	18,101
Other Purchased Professional Services	37,004		37,004	26,825	10,179	15,377		15,377	15,377	
Supplies and Materials	42,221		42,221	61,221	(19,000)	34,070		34,070	26,019	8,051
Miscellaneous Expenditures						1,075		1,075	1,075	
Total Support Services	287,012		287,012	268,248	18,764	193,539		193,539	140,587	52,952
Capital Outlay:										
Instructional Equipment	18,030		18,030	8,030	10,000	29,980		29,980	21,950	8,030
Noninstructional Equipment	2,750		2,750	1,700	1,050	2,750		2,750	2,750	
Total Capital Outlay	20,780		20,780	9,730	11,050	32,730		32,730	21,950	10,780
Total Expenditures	1,001,270		1,001,270	850,072	151,198	349,017		349,017	239,064	109,953
Total Outflows	1,001,270		1,001,270	850,072	151,198	349,017		349,017	239,064	109,953
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures & Other Financing Sources/(Uses)	\$ -	-	-	-	-	-	-	-	-	-

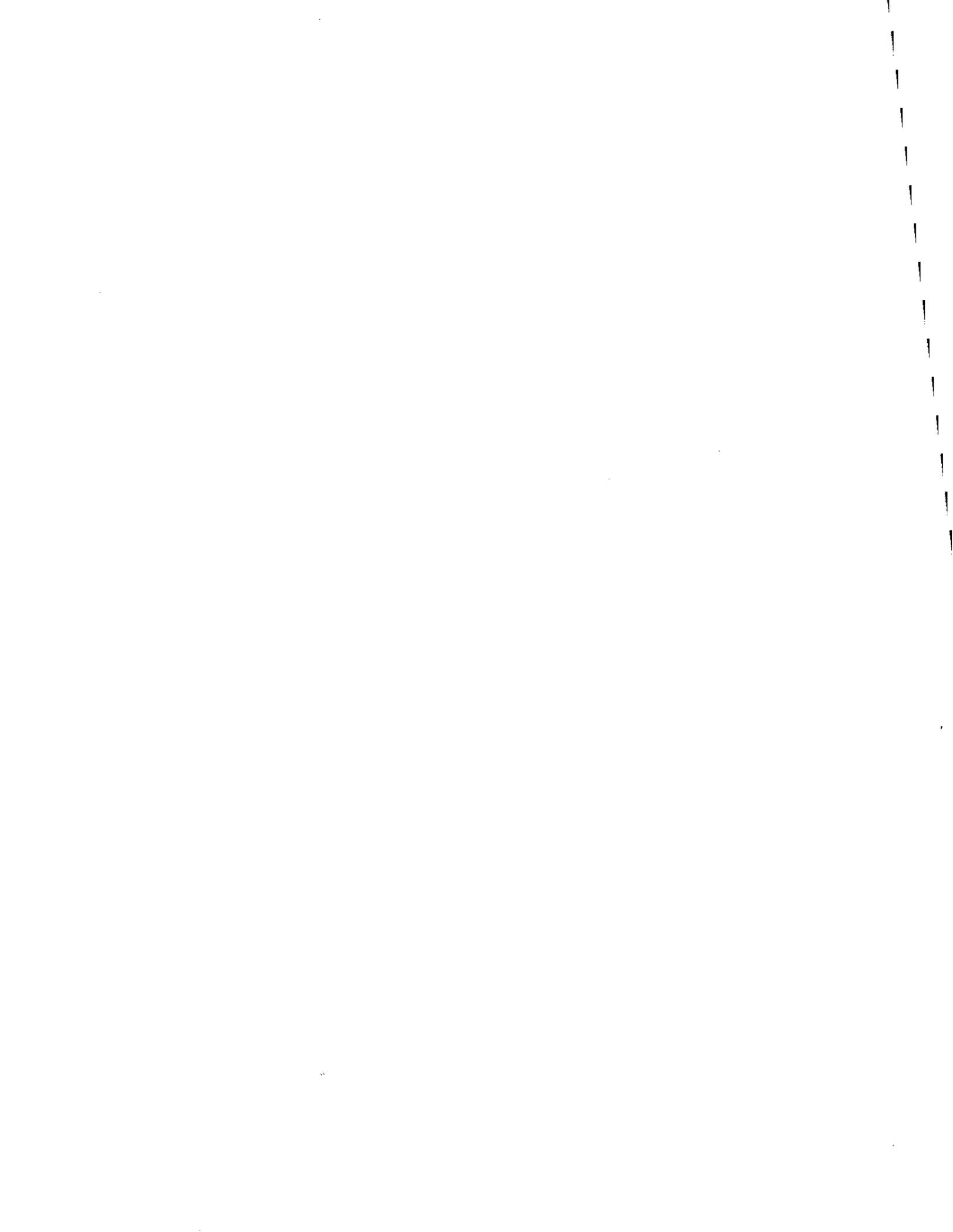
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION



**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$4,631,962	850,072
	<hr/>	<hr/>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$4,631,962</u>	<u>850,072</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$5,344,769	850,072
	<hr/>	<hr/>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$5,344,769</u>	<u>850,072</u>



OTHER SUPPLEMENTARY INFORMATION

D. School Based Budget Schedules

Not Applicable

E. Special Revenue Fund



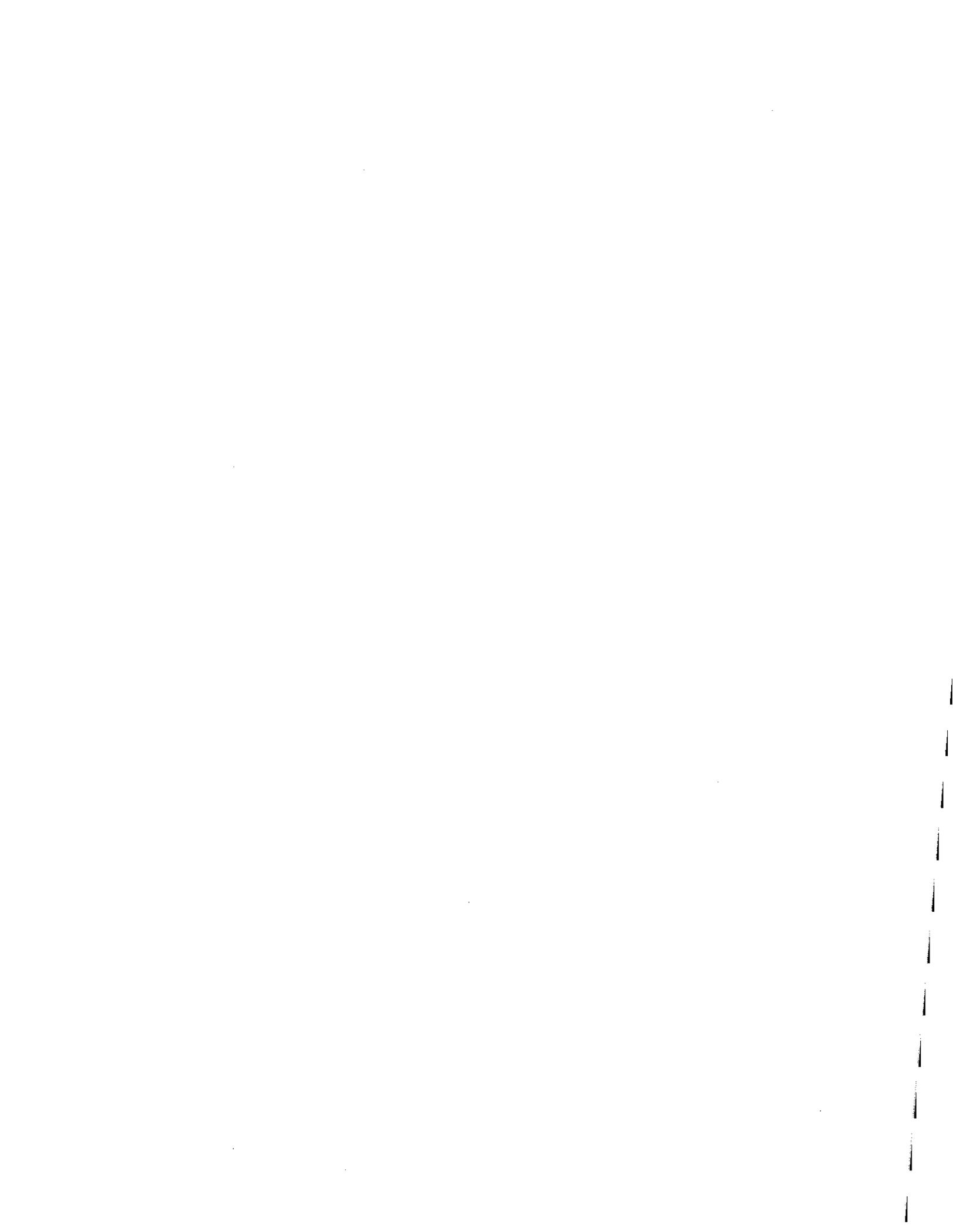
**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

	TITLE I	TITLE I - ARRA	TITLE 11 PART A	TITLE IV	I.D.E.A PART B BASIC	ARRA I.D.E.A PART B BASIC	CADRE II	CADRE III	2010	2009
Revenues:										
Federal Sources	\$476,159	161,558	83	3,174	28,522	45,290	83,316	51,970	850,072	239,064
Total Revenues	<u>\$476,159</u>	<u>161,558</u>	<u>83</u>	<u>3,174</u>	<u>28,522</u>	<u>45,290</u>	<u>83,316</u>	<u>51,970</u>	<u>850,072</u>	<u>239,064</u>
Expenditures:										
Instruction:										
Salaries of Teachers	\$260,125	24,000							284,125	25,000
Purchased Professional Technical Services	38,259	38,953			204	45,290			122,706	6,552
General Supplies	47,000	1,668			27,500		38,358		114,526	44,975
Other Objects	32,150	18,587							50,737	
Total Instruction	<u>377,534</u>	<u>83,208</u>			<u>27,704</u>	<u>45,290</u>	<u>38,358</u>		<u>572,094</u>	<u>76,527</u>
Support Services:										
Salaries of Supervisors of Instruction							26,800		26,800	47,413
Personal Services/ Employee Benefits	51,625	459							52,084	12,735
Purchased Professional Educational Services	20,258	77,891		2,929			240		101,318	37,968
Other Purchased Services	26,742		83						26,825	15,377
Supplies & Materials				245	818		8,188	51,970	61,221	26,019
Miscellaneous										1,075
Total Support Services	<u>98,625</u>	<u>78,350</u>	<u>83</u>	<u>3,174</u>	<u>818</u>		<u>35,228</u>	<u>51,970</u>	<u>268,248</u>	<u>140,587</u>
Capital Outlay:										
Instructional Equipment							8,030		8,030	21,950
Non-Instructional Equipment							1,700		1,700	
Total Capital Outlay							<u>9,730</u>		<u>9,730</u>	<u>21,950</u>
Total Expenditures	<u>\$476,159</u>	<u>161,558</u>	<u>83</u>	<u>3,174</u>	<u>28,522</u>	<u>45,290</u>	<u>83,316</u>	<u>51,970</u>	<u>850,072</u>	<u>239,064</u>

F. Capital Projects Fund

Not Applicable

G. Proprietary Funds



Enterprise Funds

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
ENTERPRISE FUND
COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

ASSETS	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	2010	2009
Cash & Cash Equivalents	\$2,723	2,723	36,029
Accounts Receivable:			
State	360	360	90
Federal	9,086	9,086	1,965
Due from General Fund			1,267
Total Assets	12,169	12,169	39,351
LIABILITIES			
Due to General Fund	9,510	9,510	
Total Liabilities	9,510	9,510	
NET ASSETS			
Unreserved Net Assets	2,659	2,659	39,351
Total Net Assets	\$2,659	2,659	39,351

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
AS OF JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

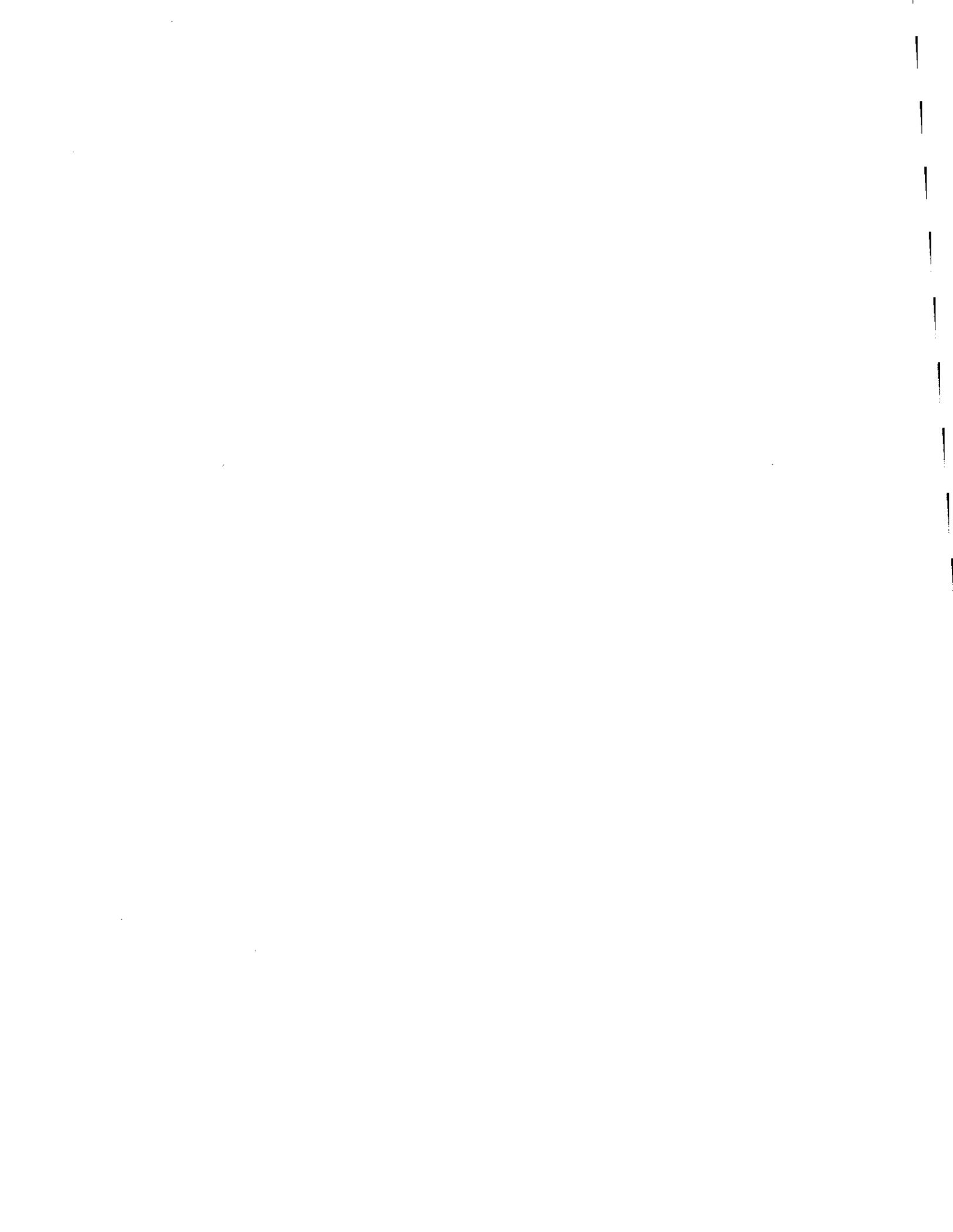
	<u>BUSINESS-TYPE ACTIVITIES - FOOD SERVICE</u>	2010	2009
Operating Revenues:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
School Lunch Program	\$4,773	4,773	282
Total Operating Revenue	<u>4,773</u>	<u>4,773</u>	<u>282</u>
Operating Expenses:			
Cost of Sales	<u>90,357</u>	<u>90,357</u>	<u>59,183</u>
Total Operating Expenses	<u>90,357</u>	<u>90,357</u>	<u>59,183</u>
Operating Income/(Loss)	<u>(85,584)</u>	<u>(85,584)</u>	<u>(58,901)</u>
Nonoperating Revenues:			
Board Contribution			59,183
State Sources:			
State School Lunch Program	1,625	1,625	1,269
State School Breakfast Program	230	230	413
Federal Sources:			
National School Lunch Program	43,037	43,037	31,604
National School Breakfast Program	4,000	4,000	5,783
Total Nonoperating Revenues	<u>48,892</u>	<u>48,892</u>	<u>98,252</u>
Net Income/(Loss)	(36,692)	(36,692)	39,351
Net Assets - July 1	<u>39,351</u>	<u>39,351</u>	
Net Assets - June 30	<u>\$2,659</u>	<u>\$2,659</u>	<u>\$39,351</u>

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	2010	2009
Cash Flows From Operating Activities:			
Receipts from Customers	(\$1,351)	(1,351)	282
Payments to Suppliers & Employees	(80,847)	(80,847)	(62,505)
Net Cash Provided/(Used) by Operating Activities	(82,198)	(82,198)	(62,223)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	48,892	48,892	39,069
Operating Transfers In/(Out)			59,183
Net Cash Provided by Noncapital Financing Activities	48,892	48,892	98,252
Net Increase/(Decrease) in Cash & Cash Equivalents	(33,306)	(33,306)	36,029
Balances - Beginning of Year	36,029	36,029	
Balances - Ending of Year	\$2,723	2,723	36,029

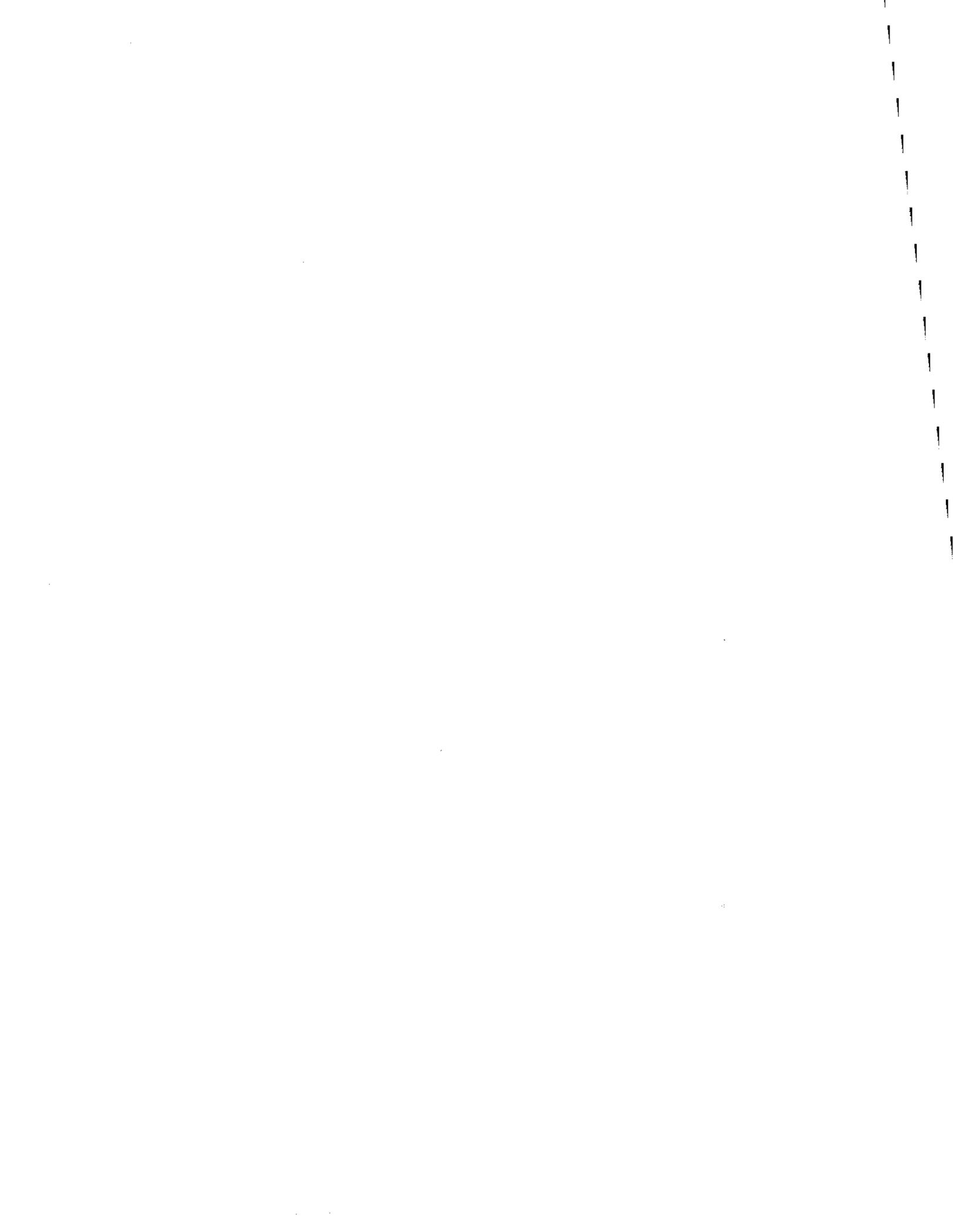
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	(\$85,584)	(85,584)	(58,901)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:			
Change in Assets & Liabilities:			
Decrease/(Increase) Interfund Accounts Receivable	1,267	1,267	(1,267)
Decrease/(Increase) Intergovernmental Accounts Receivable	(7,391)	(7,391)	(2,055)
Increase/(Decrease) Interfund Accounts Payable	9,510	9,510	
Total Adjustments	3,386	3,386	(3,322)
Net Cash Provided/(Used) by Operating Activities	(\$82,198)	(82,198)	(62,223)



Internal Service Fund

Not Applicable



H. Fiduciary Fund

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
TRUST AND AGENCY FUND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)**

ASSETS	AGENCY		PRIVATE PURPOSE	2010	2009
	PAYROLL FUND	STUDENT ACTIVITY	UNEMPLOYMENT COMPENSATION TRUST		
Cash & Cash Equivalents	\$43,998	2,177	5,862	52,037	37,875
Receivables:					
Interfund					1,604
Total Assets	43,998	2,177	5,862	52,037	39,479
LIABILITIES					
Interfund Payable	2,555			2,555	9,519
Accounts Payable		2,177		2,177	1,641
Payroll Deductions & Withholdings	41,443			41,443	28,319
Total Liabilities	43,998	2,177		46,175	39,479
NET ASSETS					
Held in Trust for Unemployment Claims & Other Purposes			5,862	5,862	
Total Net Assets	-	-	5,862	5,862	-

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
FIDUCIARY FUNDS
COMBINING STATEMENT CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2010
(With Comparative Totals for June 30, 2009)

ADDITIONS:	UNEMPLOYMENT COMPENSATION TRUST	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2010	JUNE 30, 2009
Plan Member Contributions	\$5,862	5,862	
Total Contributions	5,862	5,862	
Net Assets - Beginning of Year	-	-	-
Net Assets - End of Year	\$5,862	5,862	-

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF CHANGES OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	BALANCE JULY 1, 2009	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2010
Student Groups	\$1,641	2,136	1,600	2,177
Total	\$1,641	2,136	1,600	2,177

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	BALANCE JULY 1, 2009	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2010
ASSETS				
Cash & Cash Equivalents	\$36,234	2,698,495	2,690,731	43,998
Interfund Accounts Receivable	1,604		1,604	
	\$37,838	2,698,495	2,692,335	43,998
LIABILITIES				
Payroll Deductions & Withholdings	\$28,319	2,698,495	2,685,371	41,443
Interfunds Payable	9,519		6,964	2,555
Total Liabilities	\$37,838	2,698,495	2,692,335	43,998

I. Long-Term Debt

Not Applicable

STATISTICAL SECTION (Unaudited)

CAPITAL PREPARATORY CHARTER HIGH SCHOOL
NET ASSETS BY COMPONENT
LAST TWO FISCAL YEARS
(Accrual Basis of Accounting)

	<u>FISCAL YEAR ENDING JUNE 30,</u>	
	2010	2009
Governmental Activities:		
Restricted		42,948
Unrestricted	(\$126,502)	543,357
		<hr/>
Total Governmental Activities Net Assets	(\$126,502)	586,305
		<hr/> <hr/>
Business-Type Activities:		
Unrestricted	\$2,659	39,351
		<hr/>
Total Business-Type Activities Net Assets	\$2,659	39,351
		<hr/> <hr/>
District-Wide:		
Restricted		42,948
Unrestricted	(\$123,843)	582,708
		<hr/>
Total District Net Assets	(\$123,843)	625,656
		<hr/> <hr/>

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
CHANGES IN NET ASSETS - (ACCRUAL BASIS OF ACCOUNTING)
LAST TWO FISCAL YEARS**

	<u>FISCAL YEAR ENDING JUNE 30,</u>	
	2010	2009
Expenses:		
Governmental Activities		
Instruction	\$2,432,387	943,610
Administration	1,474,169	784,949
Support Services	1,696,006	923,333
Capital Outlay	442,214	26,749
	<u>6,044,776</u>	<u>2,678,641</u>
Total Governmental Activities Expenses		
Business-Type Activities:		
Food Service	90,357	59,183
	<u>90,357</u>	<u>59,183</u>
Total Business-Type Activities Expense		
Total Charter School Expenses	<u>\$6,135,133</u>	<u>2,737,824</u>
Program Revenues:		
Governmental Activities:		
Capital Grants & Contributions	850,072	239,064
	<u>850,072</u>	<u>239,064</u>
Total Governmental Activities Program Revenues		
Business-Type Activities:		
Charges for Services:		
Food Service	4,773	282
Capital Grants & Contributions	48,892	39,069
	<u>53,665</u>	<u>39,351</u>
Total Business Type Activities Program Revenues		
Total Charter School Program Revenues	<u>\$903,737</u>	<u>278,415</u>
Net/(Expense)/Revenue:		
Governmental Activities	(\$5,194,704)	(2,439,577)
Business-Type Activities	(36,692)	(19,832)
	<u>(\$5,231,396)</u>	<u>(2,459,409)</u>
Total Charter School Net Expense		
Governmental Activities:		
General Purposes	\$399,906	281,290
Federal & State Aid Not Restricted	3,874,216	2,725,637
Miscellaneous Income	207,775	18,955
	<u>4,481,897</u>	<u>3,025,882</u>
Total Governmental Activities		
Business-Type Activities:		
Transfers		59,183
		<u>59,183</u>
Total Business-Type Activities		
Total Charter School Wide	<u>\$4,481,897</u>	<u>3,085,065</u>
Change in Net Assets:		
Governmental Activities	(\$712,807)	586,305
Business-Type Activities	(36,692)	39,351
	<u>(\$749,499)</u>	<u>625,656</u>
Total Charter School		

Source: Charter School's Records

EXHIBIT J-3

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TWO FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,	
	2010	2009
General Fund:		
Reserved		42,948
Unreserved	(\$126,502)	543,357
		<hr/>
Total General Fund	(\$126,502)	586,305
		<hr/> <hr/>

EXHIBIT J-4

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TWO FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2010	2009
Revenues:		
Local Sources	\$607,681	300,245
State Sources	3,874,216	2,725,637
Federal Sources	850,072	239,064
		<hr/>
Total Revenue	5,331,969	3,264,946
		<hr/>
Expenditures:		
Instruction	2,432,387	943,610
Administration	1,474,169	784,949
Support Services	1,696,006	923,333
Capital Outlay	442,214	26,749
		<hr/>
Total Expenditures	6,044,776	2,678,641
		<hr/>
Net Change in Fund Balances	(\$712,807)	586,305
		<hr/> <hr/>

Source: Charter School records

Note: Noncapital expenditures are total expenditures less capital outlay.

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TWO FISCAL YEARS
(Modified Accrual Basis of Accounting)**

FISCAL YEAR ENDING JUNE 30,	DONATIONS	INTEREST	MISCELLANEOUS	TOTAL
2010	\$14,732		193,043	207,775
2009			18,955	18,955
Total	\$14,732	-	211,998	226,730

Source: District records

EXHIBITS J-6 THROUGH J-15

NOT APPLICABLE

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TWO FISCAL YEARS**

Function/Program	2010	2009
Instruction	N/A	17.00
Administrative	N/A	3.00
Support Services	N/A	2.00
Total		<u>22.00</u>

Source: Charter School's Personnel Records

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
OPERATING STATISTICS
LAST TWO FISCAL YEARS**

52

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2010	N/A	\$5,602,562	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	178	2,434,778	13,679				167.0	151.34	N/A	90.62%

Sources: District records

Note: Enrollment based on annual October Charter School count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**EXHIBIT J-18 AND J-19
NOT APPLICABLE**

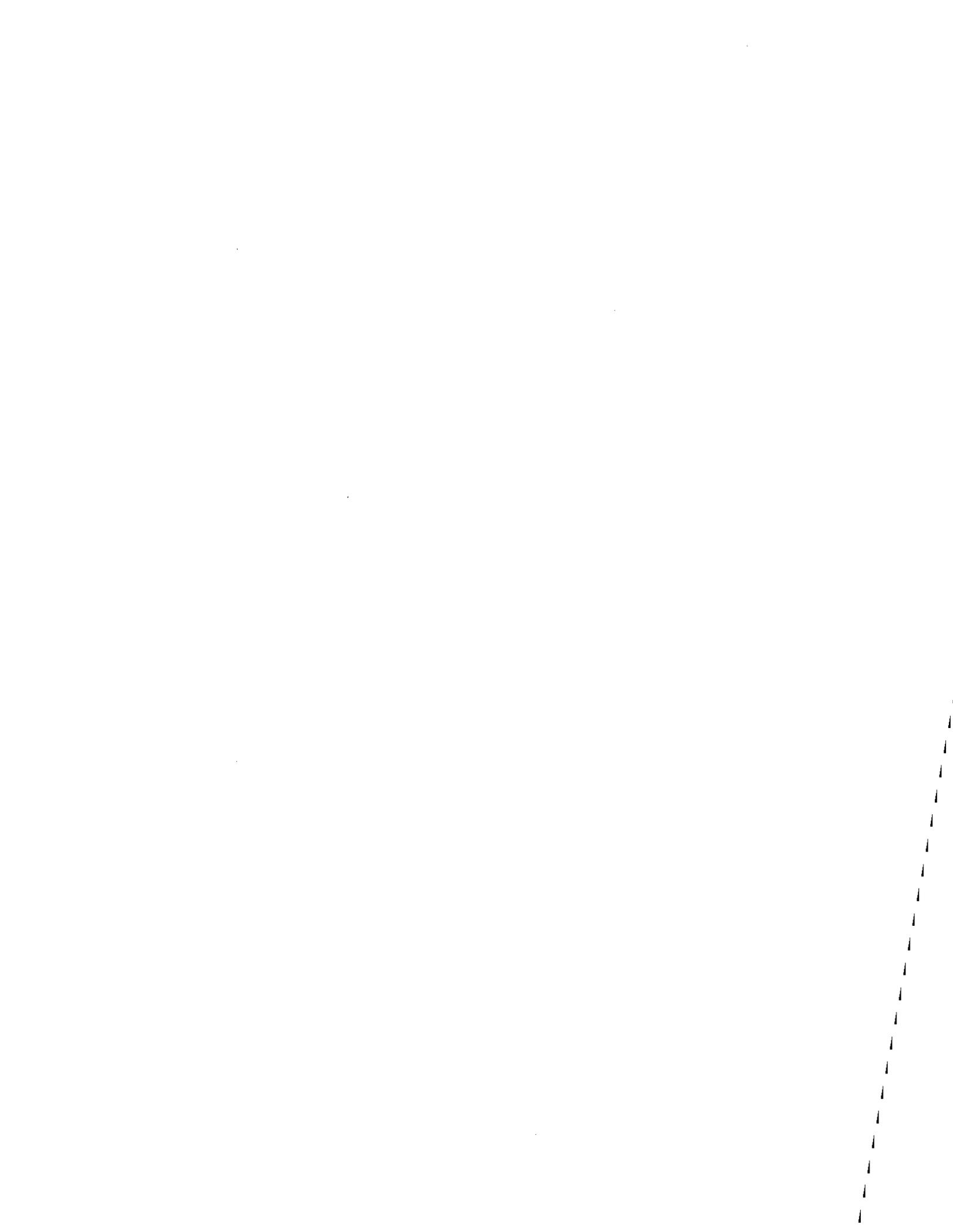
EXHIBIT J-20

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2010**

	COVERAGE	DEDUCTIBLE
Commercial General Liability - Great American:		
Each Occurrence	1,000,000	
General Aggregate	2,000,000	
Products-Completed Operations Aggregate Limit	2,000,000	
Personal & Advertising Injury	1,000,000	
Damage to Premises Rented	100,000	
Premises Medical Payments	5,000	
Commercial Property - Great American		
Building (RC) 90% Coinsurance	3,000,000	1,000
Business Personal Property	75,000	1,000
Equipment Breakdown Limit	3,075,000	
Business Automobile Coverage - Great American		
Nonowned & Hired Car Limit	1,000,000	
Umbrella Liability - Great American		
Limit of Liability Each Occurrence	4,000,000	
General Aggregate	4,000,000	
Products\Completed OPS Agg	4,000,000	
Self-Insured Retention	10,000	
Workman's Compensation - The Hartford		
Bodily Injury by Accident	1,000,000	
Bodily Injury by Disease (Policy Limit)	1,000,000	
Bodily Injury by Disease (Each Employee)	1,000,000	
D&O Including Employment Related Practices & Educators		
Wrongful Acts - Great American		
D&O Limit	1,000,000	
Employment Related Practices Limit	1,000,000	
Retention Limit		2500
Student Accident Insurance - Bollinger		
Full Excess Coverage - Maximum Benefit	1,000,000	

Source: District records

SINGLE AUDIT SECTION





Certified Public Accountants & Consultants

EXHIBIT K-1

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

Honorable President and Members
of the Board of Trustees
Capital Preparatory Charter High School
County of Mercer
Trenton, New Jersey 08618

We have audited the financial statements of the Board of Trustees of the Capital Preparatory Charter High School, County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated February 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *Schedule of Findings & Questioned Costs*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings & Questioned Costs* as Findings No's: 2010-01 and 2010-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Capital Preparatory Charter High School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed various 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 as described in the accompanying *Schedule of Findings & Questioned Costs*.

We noted certain matters that we reported to management in a separate *Independent Auditor's Management Report on Administrative Findings – Financial Compliance and Performance* dated February 4, 2011.

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

Respectfully submitted,

HOLMAN & FRENIA, P. C.

A handwritten signature in black ink, appearing to read 'Kevin P. Frenia', is written over a faint, illegible printed name.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant
No. 1011

Medford, New Jersey
February 4, 2011



Certified Public Accountants & Consultants

EXHIBIT K-2

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

Honorable President and Members
of the Board of Trustees
Capital Preparatory Charter High School
County of Mercer
Trenton, New Jersey 08618

Compliance

We have audited the compliance of Board of Trustees of the Capital Preparatory Charter High School, in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey Grants Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010. The Capital Preparatory Charter High School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Capital Preparatory Charter High School's management. Our responsibility is to express an opinion on the Capital Preparatory Charter High School's compliance based on our audit.

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

As described in Finding No.: 2010-03 in the accompanying *Schedule of Findings & Questioned Costs*, the Capital Preparatory Charter High School did not comply with requirements regarding accounting and reporting that are applicable to its Title I and Title I – ARRA programs. Compliance with such requirements are necessary, in our opinion, for Capital Preparatory Charter High School to comply with the requirements applicable to these programs.

Internal Control Over Compliance

The management of the Capital Preparatory Charter High School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal and state programs. In planning and performing our audit, we considered Capital Preparatory Charter High School's internal control over compliance with requirements that could have a direct and material effect on a major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capital Preparatory Charter High School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

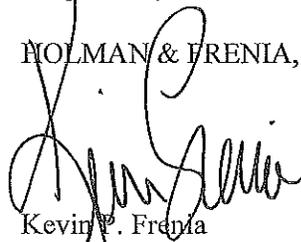
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings & Questioned Costs* as Findings No's: 2010-01 and 2010-03 to be material weaknesses.

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

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

Respectfully submitted,

HOLMAN & FRENIA, P. C.



Kevin P. Frenia
Certified Public Accountant
Public School Accountant
No. 1011

Medford, New Jersey
February 4, 2011

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2009	CASH RECEIVED	BUDGETARY EXPENDITURES	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2010	DEFERRED REVENUE AT JUNE 30, 2010	DUE TO GRANTOR AT JUNE 30, 2010
U.S. DEPARTMENT OF AGRICULTURE PASSED- THROUGH STATE DEPARTMENT OF EDUCATION:									
National School Breakfast Program	10.553	\$5,793	7/1/08-6/30/09	(\$364)	364				
National School Breakfast Program	10.553	4,000	7/1/09-6/30/10		3,137	(4,000)	(863)		
National School Lunch Program	10.555	31,604	7/1/08-6/30/09	(1,601)	1,601				
National School Lunch Program	10.555	43,037	7/1/09-6/30/10		34,814	(43,037)	(8,223)		
Total U.S. Department of Agriculture				(1,965)	39,916	(47,037)	(9,086)		
THROUGH STATE DEPARTMENT OF EDUCATION:									
CADRE Grant	N/A	60,000	7/1/09-6/30/10		60,000	(51,970)			8,030
CADRE Grant	N/A	160,000	7/1/08-6/30/09	101,852		(83,316)			18,536
CADRE Grant	N/A	134,250	7/1/07-6/30/08	8,101					8,101
Title I	84.010	49,409	9/1/08-8/31/09	(49,409)	49,409				
Title I	84.010	476,159	9/1/09-8/31/10		476,159	(476,159)			
Title I - ARRA	84.389	213,096	9/1/09-8/31/11		213,096	(161,558)		51,538	
Title IIA	84.367	3,579	9/1/08-8/31/09	(3,579)	3,579				
Title IIA	84.367	11,867	9/1/09-8/31/10		11,867	(83)		11,784	
Title IID	84.218X	636	9/1/08-8/31/09	(636)	636				
Title IID	84.218X	4,401	9/1/09-8/31/10		4,401			4,401	
Title IV	84.186	1,143	9/1/08-8/31/09	(1,143)	1,143				
Title IV	84.186	5,929	9/1/09-8/31/10		5,929	(3,174)		2,755	
I.D.E.A. Part B, Basic - ARRA	84.392	60,440	9/1/09-8/31/11		60,440	(45,290)		15,150	
I.D.E.A. Part B, Basic	84.027	47,762	9/1/09-8/31/10		47,762	(28,522)		19,240	
Total U.S. Department of Education				55,186	934,421	(850,072)		104,868	34,667
Total Federal Financial Assistance				\$53,221	974,337	(897,109)	(9,086)	104,868	34,667

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

STATE GRANTOR/PROGRAM T	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE			(ACCOUNTS RECEIVABLE) 2010	MEMO	
				AT JUNE 30, 2009	CASH RECEIVED	BUDGETARY EXPENDITURES		BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education:									
General Fund:									
"Local Levy" State Share Charter									
	School Aid	10-495-034-5120-071	\$3,644,046	7/1/09-6/30/10		3,644,046		(3,644,046)	3,644,046
59	Special Education Categorical Aid	10-495-034-5120-089	118,922	7/1/09-6/30/10		118,922		(118,922)	118,922
	Security Aid	10-495-034-5120-084	111,248	7/1/09-6/30/10		111,248		(111,248)	111,248
	On-Behalf TPAF Social Security Reimbursement	10-495-034-5095-002	150,065	7/1/09-6/30/10		150,065		(150,065)	150,065
	On-Behalf TPAF Social Security Reimbursement	09-495-034-5095-002	83,984	7/1/08-6/30/09	(\$4,133)	4,133			
Total General Fund						(4,133)	4,028,414	(4,024,281)	4,024,281
State Department of Agriculture:									
	National School Breakfast Program	09-100-10-3360-096	413	7/1/08-6/30/09	(26)	26			
	National School Breakfast Program	10-100-10-3360-096	230	7/1/09-6/30/10		180		(230)	230
	National School Lunch Program	10-100-10-3360-067	1,625	7/1/09-6/30/10		1,315		(1,625)	1,625
	National School Lunch Program	09-100-10-3360-067	1,269	7/1/08-6/30/09	(64)	64		(310)	
Total Enterprise Fund						(90)	1,585	(1,855)	1,855
Total State Financial Assistance						(\$4,223)	4,029,999	(4,026,136)	4,026,136

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2010**

Note 1. General

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

Note 2. Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Board's basic financial statements.

Note 3. Relationship to Basic Financial Statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2010**

Note 3. Relationship to Basic Financial Statements (continued):

	Federal	State	Total
General Fund		\$3,874,216	\$3,874,216
Special Revenue Fund	\$850,072		850,072
Food Service Fund	<u>47,037</u>	<u>1,855</u>	<u>48,892</u>
Total Financial Assistance	<u>\$897,109</u>	<u>\$3,876,071</u>	<u>\$4,773,180</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. Other

Revenues and expenditures reported under the Food Distribution Program represents current year value received and current year distributions respectively. TPAF social security contributions represent the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

Note 6. Federal and State Loans Outstanding

The Capital Preparatory Charter High School had no loan balances outstanding at June 30, 2010.

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Disclaimer</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	Yes
2) Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to basic financial Statements noted?	Yes

Federal Awards

Internal Control over major programs:	
1) Material weakness(es) identified?	Yes
2) Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance With Section .510(a) of Circular A-133	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.389	ARRA - Title I

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results (continued):

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor’s report issued on compliance for major programs	<u>Qualified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	Yes
2) Significant deficiencies identified that are not considered To be material weaknesses?	Yes
Any audit findings disclosed that are required to be reported in accordance With New Jersey OMB Circular 04-04	Yes

Identification of major programs:

GMIS Number(s)	Name of State Program
10-495-034-5120-071	Charter School Aid

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Finding 2010-01:

Criteria or Specific Requirement:

In order for the Charter School to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations, there should be proper internal controls in place.

Condition:

Internal controls of the Charter School were found to be insufficient and ineffective.

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section II – Financial Statement Findings (continued):

Finding 2010-01 (continued):

Context:

Internal controls are vital to all organizations in order to ensure that there is reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

Effect:

The Charter School risks materially misstating their financial statements, as well not effectively preventing and/ or detecting fraud within the school.

Cause:

Lack of understanding by Charter School employees as to the importance of proper internal controls.

Recommendation:

That the charter school improve, document and follow their internal control processes in order to ensure reliable financial reporting, effective and efficient operations, compliance with applicable laws and regulations and help prevent fraud from occurring within the Charter School.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School agrees with this finding and will take the appropriate steps to correct this moving forward.

Section III – Federal Awards and State Financial Assistance Finding & Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and New Jersey OMB's Circular Letter 04-04.

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Information of Federal Programs: CFDA#'s 84.010, 84.389

Information on the State Programs: NJCFS#'s 10-495-034-5120-071

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

**Section III – Federal Awards and State Financial Assistance Finding & Questioned Costs
(continued):**

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (continued):

Finding 2010-03 (continued):

Criteria or Specific Requirement:

In order for the Charter School to be able to evidence proper use of federal and state funds there should be appropriate supporting documentation for all expenditures charged against federal and state funds.

Condition:

There was a lack of accounting, and supporting documentation for expenditures in which federal and state financial awards were used.

Questioned Costs:

\$637,717

Context:

Proper record keeping and supporting documentation for all federal and state expenditures is essential in ensuring that funds were only used for allowable items within the proper period and in agreement with approved budgets.

Effect:

The Charter School risks not following federal and state compliance requirements.

Cause:

Lack of understanding by Charter School employees as to the importance of maintaining proper supporting documentation and audit trails for federal and state assistance expenditures.

Recommendation:

That the charter school improve, document and follow their internal control processes related to federal and state funds in order to ensure proper record keeping and compliance with applicable laws and regulations.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School agrees with this finding and will take the appropriate steps to correct this moving forward.

**CAPITAL PREPARATORY CHARTER HIGH SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
For the Fiscal Year Ended June 30, 2010**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

No Prior Year Findings

CAPITAL PREPARATORY CHARTER HIGH SCHOOL

Trenton, New Jersey
County of Mercer

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
for the Year Ended June 30, 2010**

**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Additional Information:	
Schedule of Meal Count Activity	N/A
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Excess Surplus Calculation	N/A



Certified Public Accountants & Consultants

REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Capital Preparatory Charter High School
County of Mercer
Trenton, New Jersey 08618

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Capital Preparatory Charter High School in the County of Mercer for the year ended June 30, 2010, and have issued our report thereon dated February 4, 2011.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Capital Preparatory Charter High School's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

HOLMAN & FRENIA, P. C.

A handwritten signature in black ink, appearing to read 'Kevin D. Frenia', is written over the printed name.

Kevin D. Frenia
Certified Public Accountant
Public School Accountant
No. 1011

Medford, New Jersey
February 4, 2011



Certified Public Accountants & Consultants

Honorable President and Members of the
Board of Trustees Capital Preparatory Charter High School
County of Mercer
Trenton, New Jersey

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Trustees and the records of various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR.

Official Bonds

Name	Position	Amount
Thomas Gant	Business Administrator/Board Secretary	\$160,000

Financial Planning, Accounting and Reporting

Internal Controls

Finding 2010-01:

It was noted during our audit that the internal controls of the Capital Preparatory Charter School are not operating effectively. The following were noted:

- a. Grant charges were expended through the general fund budget and subsequently charged to grants by journal entry, leaving no audit trail to ensure that charges to grants were for allowable items.

Internal Controls (continued):

- b. No treasurer's report was completed or provided for inspection, for the year ended June 30, 2010.
- c. The majority of expenditures selected for examination did not contain the proper supporting documentation and/or approvals.
- d. Various trips taken by school officials and employees did not contain proper supporting documentation or approvals from the county superintendent.
- e. It was discovered that separate bills lists were being prepared outside of the accounting system for presentation and board approval. These bill lists did not contain all items actually paid by the charter school.
- f. It was noted that the former business administrator purchased I-Pads for school employees through the operating budget. Additionally, it was determined that employees were misled into believing the I-Pads were \$400, while they were actually \$700. It appears that the difference in price was going to be absorbed by the school's general fund. Reimbursements by employees that paid in cash are not traceable to the school's bank account.
- g. Various employees were paid and/or reimbursed for services or items outside of payroll. These payments are not properly supported by approved contracts or supporting documentation.
- h. Fixed assets were not tracked by the Charter School.
- i. Encumbrances and accounts payable were not properly recorded by the Charter School.
- j. The Charter School's budget was overspent by 1.1 million dollars.
- k. It was noted during our testing that various former employees were still on the school's health benefits bill.
- l. It was noted that the former business administrator received a \$10,000 stipend for his transition from his former position into the business administrator role. However, he also received a \$10,000 increase through the payroll which was not approved.
- m. During our testing of payroll it was noted that a former 12 month employee with an approved salary of \$45,000 was being paid as if he was a 10 month employee, thus, his projected pay was actually \$54,000.
- n. It was noted that hires, terminations, resignations, etc. were not tracked by the school.
- o. All activity related to the School's food service was run through the general fund bank account and never recorded in the food service general ledger.

Recommendation:

That the charter school improve, document and follow their internal control processes in order to ensure reliable financial reporting, effective and efficient operations, compliance with applicable laws and regulations and help prevent fraud from occurring within the Charter School.

Compliance

Finding 2010-02:

During our audit the following compliance issues were noted.

- a. It was noted that payroll registers were not properly certified by the appropriated School Officials
- b. The ethics disclosure forms were not provided for inspection.
- c. The School's pension reports were not filed in a timely manner.

Recommendation:

That the Charter School addresses and corrects the above compliance issues.

Examination of Claims

An examination of claims paid during the period under review indicated that the vouchers were not in satisfactory condition. See Internal Control's section for detail.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll agency account.

Salary withholdings were promptly remitted to the proper agencies.

See the Internal Control's and Compliance section above for detail of findings related to the Charter School's payroll.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2010 for proper classification of orders as reserve for encumbrances and accounts payable.

See the Internal Control's section above for detail of findings related Encumbrances and Accounts Payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C.6:20-2(M)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. See Internal Controls section for finding related to classification of expenditures.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed various findings. See Internal Controls section for detail.

Treasurer's Records

The Treasurer's records were reviewed and found to not be in satisfactory condition. See Internal Controls section for finding related to Treasurer's Records.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A./N.C.L.B. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I, II, IV and Title VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the Federal and State funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved. The tests of compliance for the major state programs selected indicated areas of noncompliance. See Internal Controls section for findings.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Finding 2010-03:

There was a lack of accounting, and supporting documentation for expenditures in which federal and state financial awards were used.

Recommendation:

That the charter school improve, document and follow their internal control processes related to federal and state funds in order to ensure proper record keeping and compliance with applicable laws and regulations.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but Charter Schools can print out the DOENET for an auditor) forms filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.18A:18A-3 states:

- a) "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$21,000, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipts of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of Section 9 of P.L. 1071, c.198 (C.40A:119) the board of education may establish that the bid threshold may be up to \$29,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b) Commencing in the fifth year after the year in which P.L. 1999, c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in *N.J.S.18A:18A-2* (pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.18A:18A-4 - Every contract for the performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to *N.J.S.A.18A:18A-3* except by contract or agreement.

Effective July 1, 2005 and thereafter the bid thresholds in accordance with *N.J.S.A.18A:18A-3* (as amended) and *18A:39-3* are \$21,000.00 and \$17,200.00 respectively.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year (contract year for July 1, 2005 and thereafter). Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A.18A:18A-4*.

The following was noted:

Finding 2010-04:

It was noted that payments to vendors for services, equipment and materials, which were in excess of the bid threshold, were not properly advertised in accordance with provision *N.J.S.A. 18A:18A-4*.

Recommendation:

That payments, contracts, or agreements for the performance of any work or the furnishing or hiring of any materials or supplies in excess of statutory thresholds be properly advertised in accordance with provision *N.J.S.A. 18A:18A-4*.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

School Food Service

The financial transactions and statistical records of the School Food Services were not maintained in satisfactory condition.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G.

See Internal Controls section for findings related to School Food Service.

Enrollment Counts and Submissions to the Department

Our audit procedures included a test of enrollment information reported on October 15, 2009 and the last day of school for on-roll, special education, bilingual and low-income.

Finding 2010-05:

The proper supporting documentation for the Charter School Register was not provided.

Recommendation:

That the Charter School provides their completed School Register and proper supporting documentation for inspection.

Follow-up on Prior Years' Findings

In accordance with government auditing standards, our procedures included a review of all prior year findings. Corrective action was taken on the prior year findings.

Acknowledgment

We received the complete cooperation of all the officials of the Charter School and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions concerning our comments or should you desire any assistance, please call me.

Respectfully submitted,

HOLMAN & FRENIA, P. C.

A handwritten signature in black ink, appearing to read "Kevin P. Frenia". The signature is written in a cursive style with a large initial "K".

Kevin P. Frenia
Certified Public Accountant
Public School Accountant
No. 1011

Medford, New Jersey
February 4, 2011

