

**CENTRAL JERSEY ARTS CHARTER SCHOOL**

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2010***

***CENTRAL JERSEY ARTS CHARTER SCHOOL***

***Central Jersey Arts Charter School  
Board of Trustees  
Plainfield, New Jersey***

***Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2010***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

***Prepared by***

***Central Jersey Arts Charter School  
Finance Department***

***And***

***Barre & Company, CPAs***

**STATE BOARD OF EDUCATION**

ARCELIO APONTE.....Middlesex  
President

RONALD BUTCHER..... Gloucester  
Vice President

KATHLEEN A. DIETZ..... Somerset

EDITHE FULTON..... Ocean

ROBERT P. HANEY..... Monmouth

JOSEPHINE E. HERNANDEZ ..... Union

ERNEST P. LEPORE..... Hudson

FLORENCE MCGINN ..... Hunterdon

ILAN PLAWKER..... Bergen

DOROTHY STRICKLAND..... Essex

**Bret Schundler, Commissioner  
Secretary, State Board of Education**

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
TABLE OF CONTENTS**

	<b>Page</b>
<b>INTRODUCTORY SECTION.....</b>	<b>1</b>
Letter of Transmittal.....	2
Organizational Chart.....	6
Roster of Officials .....	7
Consultants and Advisors .....	8
<b>FINANCIAL SECTION .....</b>	<b>9</b>
Independent Auditor's Report .....	10
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART I.....</b>	<b>13</b>
Management’s Discussion and Analysis.....	14
<b>BASIC FINANCIAL STATEMENTS.....</b>	<b>21</b>
<b>SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS .....</b>	<b>22</b>
A-1 Statement of Net Assets.....	23
A-2 Statement of Activities.....	24
<b>SECTION B – FUND FINANCIAL STATEMENTS .....</b>	<b>25</b>
<b>GOVERNMENTAL FUNDS .....</b>	<b>26</b>
B-1 Combining Balance Sheet.....	27
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	28
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	29
<b>PROPRIETARY FUNDS .....</b>	<b>30</b>
B-4 Statement of Fund Net Assets .....	31
B-5 Statement of Revenues, Expenses and Changes in Net Assets.....	32
B-6 Statement of Cash Flows .....	33
<b>FIDUCIARY FUNDS.....</b>	<b>34</b>
B-7 Statement of Fiduciary Net Assets.....	35
B-8 Statement of Changes in Fiduciary Net Assets.....	36
<b>NOTES TO BASIC FINANCIAL STATEMENTS .....</b>	<b>37</b>

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
TABLE OF CONTENTS**

	<b>Page</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART II</b> .....	<b>60</b>
<b>SECTION C – BUDGETARY COMPARISON SCHEDULES</b> .....	<b>61</b>
C-1 Budgetary Comparison Schedule – General Fund .....	62
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual .....	N/A
C-1b American Recovery and Reinvestment Act - Budget and Actual .....	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund .....	64
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION</b> .....	<b>65</b>
C-3 Budget-to-GAAP Reconciliation.....	66
<b>OTHER SUPPLEMENTARY INFORMATION</b> .....	<b>67</b>
<b>SECTION D -- ABBOTT SCHEDULES</b> .....	<b>N/A</b>
D-1 Combining Balance Sheet.....	N/A
D-2 Blended Resource Fund -- Schedule of Expenditures Allocated by Resource Type - Actual.....	N/A
D-3 Blended Resource Fund -- Schedule of Blended Expenditures -- Budget and Actual.....	N/A
D-4 Schedule of DEOA Expenditures- Budget & Actual .....	N/A
<b>SECTION E – SPECIAL REVENUE FUND</b> .....	<b>68</b>
E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis.....	69
E-2 Demonstrably Effective Program Aid Schedule of Expenditures- Budgetary Basis.....	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures-Budgetary Basis .....	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures-Budgetary Basis .....	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures-Budgetary Basis .....	N/A
<b>SECTION F – CAPITAL PROJECTS FUND</b> .....	<b>N/A</b>
F-1 Summary Schedule of Project Expenditures .....	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budgetary Basis.....	N/A

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
TABLE OF CONTENTS**

	<b>Page</b>
<b>SECTION G – PROPRIETARY FUNDS.....</b>	<b>70</b>
<b>ENTERPRISE FUND.....</b>	<b>N/A</b>
G-1 Combining Schedule of Net Assets.....	N/A
G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets.....	N/A
G-3 Combining Schedule of Cash Flows .....	N/A
<b>ENTERPRISE FUND.....</b>	<b>N/A</b>
G-4 Combining Schedule of Net Assets.....	N/A
G-5 Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets.....	N/A
G-6 Combining Schedule of Cash Flows .....	N/A
<b>SECTION H – FIDUCIARY FUNDS .....</b>	<b>71</b>
H-1 Combining Statement of Fiduciary Net Assets.....	72
H-2 Comparative Statement of Changes in Fiduciary Net Assets .....	73
H-3 Schedule of Receipts and Disbursements .....	74
H-4 Payroll Agency Fund – Schedule of Receipts and Disbursements .....	75
<b>STATISTICAL SECTION (UNAUDITED).....</b>	<b>76</b>
<b>INTRODUCTION TO THE STATISTICAL SECTION.....</b>	<b>77</b>
<b>FINANCIAL TRENDS .....</b>	<b>78</b>
J-1 Net Assets by Component.....	79
J-2 Changes in Net Assets.....	80
J-3 Fund Balances-Governmental Funds .....	81
J-4 Changes in Fund Balances -- Governmental Funds.....	82
J-5 General Fund Other Local Revenue by Source.....	83
<b>REVENUE CAPACITY.....</b>	<b>N/A</b>
J-6 Assessed Value and Estimated Actual Value of Taxable Property .....	N/A
J-7 Direct and Overlapping Property Tax Rates .....	N/A
J-8 Principal Property Taxpayers*.....	N/A
J-9 Property Tax Levies and Collections .....	N/A

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
TABLE OF CONTENTS**

	<b>Page</b>
<b>DEBT CAPACITY INFORMATION .....</b>	<b>N/A</b>
J-10 Ratios of Outstanding Debt by Type .....	N/A
J-11 Ratios of General Bonded Debt Outstanding .....	N/A
J-12 Direct and Overlapping Governmental Activities Debt .....	N/A
J-13 Legal Debt Margin Information .....	N/A
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION.....</b>	<b>N/A</b>
J-14 Demographic and Economic Statistics .....	N/A
J-15 Principal Employers .....	N/A
<b>OPERATING INFORMATION.....</b>	<b>84</b>
J-16 Full-time Equivalent Charter School Employees by Function/Program .....	85
J-17 Operating Statistics .....	86
J-18 School Building Information .....	87
J-19 Schedule of Required Maintenance Expenditures by School Facility .....	N/A
J-20 Insurance Schedule .....	88
*Private citizen should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.	
<b>SINGLE AUDIT SECTION .....</b>	<b>89</b>
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 <i>Government Auditing Standards</i> .....	90
K-2 Report on Compliance with Requirements Applicable To Each Major Program and On Internal Control over Compliance In Accordance With New Jersey OMB Circular Letter 04-04 .....	92
K-3 Schedule of Expenditures of Federal Awards – Schedule A.....	95
K-4 Schedule of Expenditures of State Financial Assistance – Schedule B.....	96
K-5 Notes to the Schedules of Awards and Financial Assistance .....	97
K-6 Schedule of Findings and Questioned Costs .....	99
K-7 Summary Schedule of Prior Year Audit Findings .....	102

***INTRODUCTORY SECTION***

***CENTRAL JERSEY ARTS CHARTER SCHOOL  
35 - 37 WATCHUNG AVENUE  
PLAINFIELD, NEW JERSEY 07060***

November 26, 2010

Honorable President and  
Members of the Board of Trustees  
Central Jersey Arts Charter School  
County of Union  
Plainfield, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Central Jersey Arts Charter School (Charter School) for the fiscal year ended June 30, 2010. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Central Jersey Arts Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

### **Charter School Organization**

An appointed-member Board of Education (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Lead Person is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The school Business Administrator/Board Secretary is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

**1. REPORTING ENTITY AND ITS SERVICES:** Central Jersey Arts Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the Charter School are included in this report. Central Jersey Arts Charter School Board of Trustees constitutes the Charter School’s reporting entity.

Central Jersey Arts Charter School provides a full range of services appropriate to Kindergarten–Grade 8. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2009-2010 school year with an enrollment of 290 students. The following details the student enrollment of the Charter School.

<u>Average Daily Enrollment</u>	
<u>Fiscal Year</u>	<u>Student Enrollment</u>
2009-2010	290
2008-2009	330
2007-2008	282
2006-2007	223

**2. ECONOMIC CONDITION AND OUTLOOK:** Plainfield faces the same economic challenges that our nation currently faces. However, the city officials are diligent in their efforts to save taxpayer dollars through shared services and sponsorship of various programs. They are also providing a business friendly environment that is leading to the development and growth of small businesses that contribute to the city's tax base.

**3. INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control 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). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Board of Trustees 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's 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 financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

**4. 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. 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 cancelled 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.

5. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to 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 a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

7. **OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board of Trustees. 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 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, “*Audits of State, Local Governments and Non-Profit Organization*” and State Treasury Circular Letter 04-04 OMB, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*” The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

8. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of Central Jersey Arts Charter School Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating 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 business office staff.

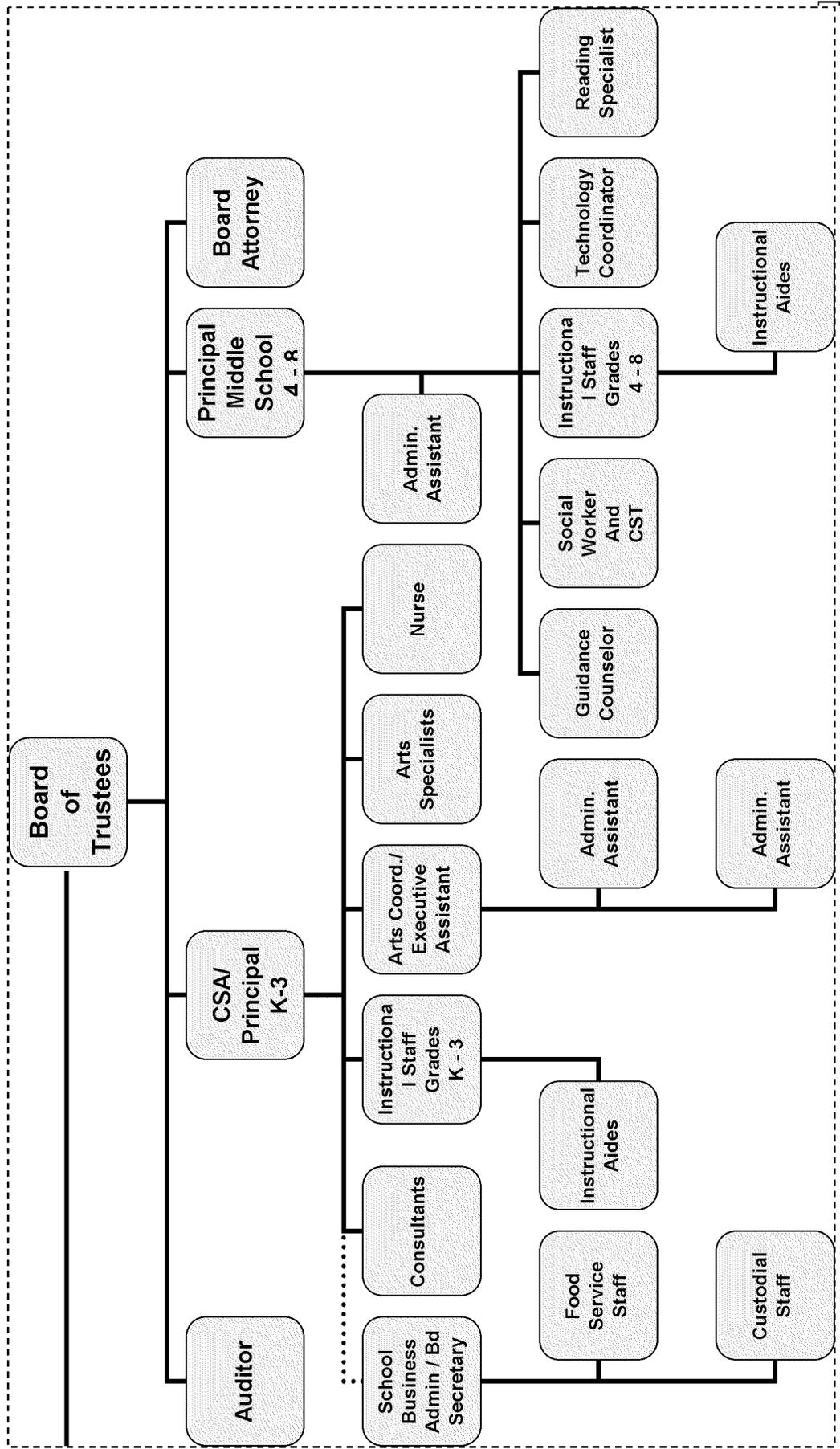
Respectfully submitted,



Luis A. Santiago  
Business Administrator

# CENTRAL JERSEY ARTS CHARTER SCHOOL

## ORGANIZATIONAL CHART



**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2010**

**MEMBERS OF THE BOARD OF TRUSTEES**

**POSITION**

Cora Coney

President

Brian Nicklaus

Vice President

Katen Moore

Trustee

Steven Cooper

Trustee

Ganwathie Mangal

Trustee (Non Voting)

Luis A. Santiago

Board Secretary

Christopher Lessard

Treasurer

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue  
Union, NJ 07083

***Attorney***

Steve Fogarty  
Fogarty & Hara  
Counselors at Law  
16-00 Route 208 South  
Fair Lawn, NJ 07410

***Official Depository***

Wachovia Bank, NA  
190 River Road, 3<sup>rd</sup> Floor  
Summit, NJ 07901

***FINANCIAL SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Trustees  
Central Jersey Arts Charter School  
County of Union  
Plainfield, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund and the aggregate remaining fund information of the Board of Trustees of Central Jersey Arts Charter School, in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Jersey Arts Charter School Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Jersey Arts Charter School Board of Trustees, in the County of Union, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*www.cpa-bc.com ♦ info@cpa-bc.com*

*5 Independence Way ♦ Suite 300 ♦ Princeton, NJ 08540 ♦ (609) 275-4810*  
*Metro Park Center ♦ 33 Wood Avenue So. ♦ Iselin, NJ 08830 ♦ (732) 603-2100*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2010 on our consideration of the Central Jersey Arts Charter School Board of Trustees' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 14 and 62, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (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, respectively, and are not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relations to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'R. Barre', with a stylized flourish at the end.

Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

November 26, 2010

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

The discussion and analysis of Central Jersey Arts Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- ❖ General revenues accounted for \$4,493,986 in revenue or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$102,840 or 2% of total revenues of \$4,596,826.
- ❖ The Charter School had \$4,443,124 in expenses; only \$102,840 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,493,986 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$4,397,056 in revenues and \$4,164,928 in expenditures. The General Fund's fund balance increased \$232,128 over 2009. This increase was anticipated by the Board of Trustees.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Central Jersey Arts Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Central Jersey Arts Charter School, the General Fund is by far the most significant fund.

**Reporting the Charter School as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

**Statement of Net Assets and the Statement of Activities (Continued)**

In the *Statement of Net Assets* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

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

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

**Governmental Funds**

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

**Proprietary Fund**

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 65 of this report.

**The Charter School as a Whole**

Recall that the *Statement of Net Assets* provides the perspective of the Charter School as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net assets were \$540,326 for June 30, 2010.

**Governmental Activities**

The Charter School's total revenues were \$4,493,986 for the year ended June 30, 2010 this includes \$102,197 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$4,211,858 for 2010. Instruction comprises 51% of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents school equipment purchased under the \$2,000 threshold.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

**Business-Type Activity**

**FOOD SERVICE**

Revenues for the Charter School's business-type activity (Food Service and After-Care program) are comprised of charges for services and federal and state reimbursements.

- ❖ Expenditures exceeded revenues by \$103,109 and \$39,330 for 2010 and 2009 respectively.
- ❖ Charges for services represent revenue of \$1,295 and \$3,783 for 2010 and 2009 respectively. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$92,476 and \$96,916 for 2010 and 2009 respectively.

**BEFORE AND AFTER SCHOOL PROGRAM**

- ❖ Expenses exceeded revenues by \$25,317 for 2010.
- ❖ Charges for services represent \$9,069 for 2010. This represents amounts paid by parents for the before and after school hours care program.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$4,493,986 for 2010 and expenditures were \$4,211,858. The net change in fund balance for the year was most significant in the general fund, an increase of \$282,128.

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

**The Charter School's Funds (Continued)**

The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2010.

Revenues	Amount	Percent of Total
Local Sources	\$ 770,992	17.16%
State Sources	3,615,389	80.45%
Federal Sources	107,605	2.39%
Total	\$ 4,493,986	100.00%

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2010, and the amounts and percentages of increases in relation to prior year amounts.

Expenditures	Amount	Percent of Total
Instruction	\$ 1,691,108	40.46%
Administration	1,202,628	28.77%
Support Services	1,225,425	29.32%
Capital Outlay	60,927	1.46%
Total	\$ 4,180,088	100.01%

Changes in expenditures were the results of varying factors.

**General Fund Budgeting Highlights**

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
PLAINFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

**General Fund Budgeting Highlights (Continued)**

Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

**For the Future**

Central Jersey Arts Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Central Jersey Arts Charter School has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Luis Santiago, School Business Administrator at Central Jersey Arts Charter School, 35 - 37 Watchung Avenue, Plainfield, New Jersey 07060.

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

*The statement of net assets and the statement of activities display information about the Charter School. 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 activities of the Charter School.*

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Statement of Net Assets  
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 315,086	\$ 67,532	\$ 382,618
Interfund Receivables	340,083	-	340,083
Receivables From Other Governments	204,863	27,371	232,234
Prepaid Expenses	123,903	-	123,903
Capital Assets, Net	50,000	-	50,000
<b>Total Assets</b>	<b>1,033,935</b>	<b>94,903</b>	<b>1,128,838</b>
<b>LIABILITIES:</b>			
Interfund Payable	104,357	252,195	356,552
Payable to State Government	2,388	-	2,388
Payable to Federal Government	40,401	-	40,401
Accounts Payable	172,279	16,892	189,171
<b>Total Liabilities</b>	<b>319,425</b>	<b>269,087</b>	<b>588,512</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	50,000	-	50,000
Unrestricted	664,510	(174,184)	490,326
<b>Total Net Assets</b>	<b>\$ 714,510</b>	<b>\$ (174,184)</b>	<b>\$ 540,326</b>

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**

Statement of Activities  
For The Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 1,691,108	\$ 438,939	\$ -	\$ -	\$ -	\$ (2,130,047)	\$ -	\$ (2,130,047)
Administration	634,599	116,574	-	-	-	(751,173)	-	(751,173)
Support Services	1,225,425	94,286	-	-	-	(1,319,711)	-	(1,319,711)
Capital Outlay	10,927	-	-	-	-	(10,927)	-	(10,927)
<b>Total Governmental Activities</b>	<b>3,562,059</b>	<b>649,799</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,211,858)</b>	<b>-</b>	<b>(4,211,858)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	231,266	-	10,364	92,476	-	-	(128,426)	(128,426)
Total Business-Type Activities	231,266	-	10,364	92,476	-	-	(128,426)	(128,426)
Total Primary Government	\$ 3,793,325		\$ 10,364	\$ 92,476	\$ -	\$ (4,211,858)	\$ (128,426)	\$ (4,340,284)
<b>GENERAL REVENUES</b>								
General Purposes						\$ 764,227	\$ -	\$ 764,227
Federal and State Aid Not Restricted						3,729,759		3,729,759
Total General Revenues						4,493,986	-	4,493,986
Change in Net Assets						282,128	(128,426)	153,702
Net Assets - Beginning						353,253	(45,758)	307,495
Prior Period Adjustment						79,129		79,129
Adjusted Net Assets - Beginning						432,382	(45,758)	386,624
Net Assets - Ending						\$ 714,510	\$ (174,184)	\$ 540,326

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

**SECTION B – FUND FINANCIAL STATEMENTS**

*The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.*

***GOVERNMENTAL FUNDS***

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Governmental Funds  
 Combining Balance Sheet  
 June 30, 2010

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 218,591	\$ 96,495	\$ 315,086
Interfund Receivables	340,083		340,083
Receivables from Other Governments	122,092	82,771	204,863
Prepaid Expenses	123,903		123,903
Total Assets	<u>\$ 804,669</u>	<u>\$ 179,266</u>	<u>\$ 983,935</u>
 <b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Interfund Payables	\$ -	\$ 104,357	\$ 104,357
Payables to State Government	-	2,388	2,388
Payables to Federal Government	-	40,401	40,401
Accounts Payable	140,159	32,120	172,279
Total Liabilities	140,159	179,266	319,425
Fund Balances:			
Unreserved:			
General Fund	664,510	-	664,510
Total Fund Balances	664,510	-	664,510
Total Liabilities and Fund Balances	<u>\$ 804,669</u>	<u>\$ 179,266</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets are \$50,000 and the accumulated depreciation is \$0

	50,000
Net Assets of Governmental Activities	<u>\$ 714,510</u>

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 764,227	\$ -	\$ 764,227
Miscellaneous	6,765	-	6,765
Total Local Sources	770,992	-	770,992
State Sources	3,615,389	-	3,615,389
Federal Sources	10,675	96,930	107,605
Total Revenues	4,397,056	96,930	4,493,986
EXPENDITURES:			
Instruction	1,624,607	66,501	1,691,108
Administration	1,284,398	-	1,284,398
Support Services	1,194,996	30,429	1,225,425
Capital Outlay	60,927	-	60,927
Total Expenditures	4,164,928	96,930	4,261,858
NET CHANGE IN FUND BALANCES	232,128	-	232,128
FUND BALANCES, JULY 1	353,253	-	353,253
PRIOR PERIOD ADJUSTMENT	79,129	-	79,129
ADJUSTED FUND BALANCES, JULY 1	432,382	-	432,382
FUND BALANCES, JUNE 30	\$ 664,510	\$ -	\$ 664,510

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For The Fiscal Year Ended June 30, 2010

Total net change in fund balances - governmental fund (from B-2)	\$	232,128
Amounts reported for governmental activities in the statement of activities (A-2):		-
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Capital Outlay		50,000
Change in net assets of governmental activities	\$	282,128

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

*PROPRIETARY FUNDS*

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Proprietary Fund  
 Combining Statement of Fund Net Assets  
 June 30, 2010

	Business-Type Activities Enterprise Funds		
	Food Service	Before & After School Program	Total
ASSETS:			
Cash and Cash Equivalents	\$ -	\$ 67,532	\$ 67,532
Intergovernmental Accounts Receivable:			
Federal	26,085	-	26,085
State	1,286	-	1,286
Total Assets	27,371	67,532	94,903
LIABILITIES:			
Interfund Payable	174,830	77,365	252,195
Accounts Payable	16,892	-	16,892
Total Liabilities	191,722	77,365	269,087
NET ASSETS:			
Unrestricted	(164,351)	(9,833)	(174,184)
Total Net Assets	\$ (164,351)	\$ (9,833)	\$ (174,184)

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Proprietary Fund  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds			
	Food Service	Before & After School Program		Total
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 1,295	\$ -	\$ 1,295	
Daily Sales Non-reimbursable Program	-	9,069	9,069	
Total Operating Revenues	<u>1,295</u>	<u>9,069</u>	<u>10,364</u>	
OPERATING EXPENSES:				
Salaries	41,791	34,386	76,177	
Cost of Sales	155,089	-	155,089	
Total Operating Expenses	<u>196,880</u>	<u>34,386</u>	<u>231,266</u>	
OPERATING LOSS	<u>(195,585)</u>	<u>(25,317)</u>	<u>(220,902)</u>	
NONOPERATING REVENUES:				
State Source:				
State School Breakfast Program	1,196	-	1,196	
State School Lunch Program	3,161	-	3,161	
Federal Source:				
National School Breakfast Program	15,122	-	15,122	
National School Lunch Program	72,997	-	72,997	
Total Nonoperating Revenues	<u>92,476</u>	<u>-</u>	<u>92,476</u>	
CHANGE IN NET ASSETS	(103,109)	(25,317)	(128,426)	
TOTAL NET ASSETS, JULY 1	<u>(61,242)</u>	<u>15,484</u>	<u>(45,758)</u>	
TOTAL NET ASSETS, JUNE 30	<u>\$ (164,351)</u>	<u>\$ (9,833)</u>	<u>\$ (174,184)</u>	

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Proprietary Fund  
 Combining Statement of Cash Flows  
 For the Fiscal Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds		
	Food Service	Before & After School Program	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 1,295	\$ 9,069	10,364
Cash Payments to Suppliers and Employees	(73,778)	(4,898)	(78,676)
Net Cash Used In Operating Activities	<u>(72,483)</u>	<u>4,171</u>	<u>(68,312)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash Received From State And Federal Reimbursements	\$ 72,483	-	72,483
Net Cash Provided By Noncapital Financing Activities	<u>72,483</u>	<u>-</u>	<u>72,483</u>
Net Increase In Cash And Cash Equivalents	-	4,171	4,171
Cash And Cash Equivalents, Beginning Of Year	-	63,361	63,361
Cash And Cash Equivalents, End Of Year	<u>\$ -</u>	<u>\$ 67,532</u>	<u>\$ 67,532</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating Loss Used for Operating Activities	\$ (195,585)	\$ (25,317)	(220,902)
Change In Assets And Liabilities:			
Increase in Interfund Accounts Payable	106,210	29,488	135,698
Increase (Decrease) In Accounts Payable	<u>\$16,892</u>	<u>-</u>	<u>16,892</u>
Net Cash Used In Operating Activities	<u>\$ (72,483)</u>	<u>\$ 4,171</u>	<u>\$ (68,312)</u>

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

*FIDUCIARY FUNDS*

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Fiduciary Net Assets  
 June 30, 2010

	Unemployment Compensation Insurance	Agency Fund
	<u>                    </u>	<u>                    </u>
ASSETS:		
Cash and Cash Equivalents	\$ 3,524	\$ 58,158
Interfund Accounts Receivable	-	10,916
	<u>                    </u>	<u>                    </u>
Total Assets	<u>3,524</u>	<u>\$ 69,074</u>
LIABILITIES:		
Liabilities:		
Interfund Accounts Payable	-	21,818
Accrued Salaries and Benefits	-	10,916
Payroll Deductions and Withholdings	-	29,203
Due to Student Groups	-	7,137
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>-</u>	<u>\$ 69,074</u>
NET ASSETS:		
Reserved for Unemployment Claims	<u>3,524</u>	
Total Net Assets	<u>\$ 3,524</u>	

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Assets  
 For the Fiscal Year Ended June 30, 2010

	Unemployment Compensation Trust
<b>ADDITIONS:</b>	
Contributions	\$ 52,446
Total Additions	52,446
<b>DEDUCTIONS:</b>	
Payment of Claims	49,880
Total Deductions	49,880
<b>CHANGE IN NET ASSETS</b>	2,566
<b>NET ASSETS, JULY 1</b>	958
<b>NET ASSETS, JUNE 30</b>	\$ 3,524

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

***NOTES TO BASIC FINANCIAL STATEMENTS***

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Trustees (Board) of Central Jersey Arts Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

**A. Reporting Entity**

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

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

**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.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation

*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 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 activity 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 activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are 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 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, 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.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

The Charter School reports the following governmental funds:

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of 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.

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

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

The Charter School reports the following proprietary funds:

Enterprise (Food Service) Fund: The enterprise fund 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.

Enterprise (After School Program) Fund: This enterprise fund accounts for all revenues and expenses pertaining to the after school care operations. The after school program 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 salaries and indirect costs) of providing care to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others which includes Net Payroll Fund, Payroll Agency Fund, Student Activities and Unemployment Compensation Trust.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*Charter School - wide, Proprietary, and Fiduciary Fund Financial Statements:* The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**C. Budgets/Budgetary Control**

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	96,930
Adjustments:	
Less Encumbrances at June 30,2010	-
Plus Encumbrances at June 30,2009	-
Total Revenues and Expenditures (GAAP Basis)	\$ 96,930

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Encumbrances Accounting**

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.

**E. Assets, Liabilities, and Equity**

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School - wide statements are reported in the same manner as general revenues.

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

Allowance for Uncollectible Accounts:

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

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

**Revenues — Exchange and Non-exchange Transactions:**

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest and tuition.

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

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

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

**Correction of a Prior Period Error**

Prior to July 1, 2009, the Charter School paid to its landlord the sum of \$79,129 representing a security deposit on its lease. This payment was incorrectly classified as a rent expense in the Charter School-Wide and Governmental Funds Statements of Activities as of June 30, 2009. Accordingly, the Charter School-Wide and Governmental Funds Statements of Activities as of June 30, 2010 have been adjusted to increase Prepaid Expenses for the current year presented and increase the Fund Balances, July 1, 2009 for \$79,129 to reflect the correction of this error as a prior period adjustment.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Deposits**

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

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

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

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

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

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of June 30, 2010, cash and cash equivalents of the District consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating					
Account	\$ 218,591	\$ 96,495	\$ 67,532	\$ 61,682	\$ 444,300

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2010 was \$444,300 and the bank balance was \$548,523. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Risk Category**

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described as follows:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

Category 3— Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Risk Category (Continued)**

As of June 30, 2010, the Board had funds invested and on deposit in checking accounts. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**New Jersey Cash Management Fund**

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2010, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2010, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 68,585	\$ 69,871
Federal Aid	82,771	108,856
Other	53,507	53,507
Gross Receivables	204,863	232,234
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 204,863</u>	<u>\$ 232,234</u>

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2010:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 340,083	\$ -
Special Revenue Fund		104,357
Proprietary Fund	27,371	252,195
Fiduciary Fund	10,916	21,818
Total	\$ 378,370	\$ 378,370

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Pre Lease Costs	\$ -	\$ 50,000	\$ -	\$ 50,000
Total Capital Assets Not Being Depreciated	-	50,000	-	50,000

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

There was no depreciation for the fiscal year ended June 30, 2010.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6: RENTAL LEASE**

The school entered into a four (4) year lease commencing September 1, 2006 and expiring September 1, 2010 to lease classroom and office space at 35 - 37 Watchung Avenue, Plainfield, New Jersey. On September 1, 2008 the School modified the existing lease into a seven (7) year lease commencing September 1, 2008 and expiring September 15, 2015 to lease additional classroom and office space at 35 - 37 Watchung Avenue and 7-9 Watchung Avenue, Plainfield, New Jersey. Total lease payments made during the year ended June 30, 2010 amounted to \$655,319. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2011	660,114
2012	686,519
2013	713,979
2014	742,538
2015	772,240
2016	<u>129,537</u>
	<u>\$ 3,704,927</u>

**NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASE**

In January 2007, the school leased a copier under a lease agreement requiring monthly installments in the amount of \$280. Total lease payments made during the year ended June 30, 2010 was \$3,360. Future lease payments are \$1,680 for the year ended June 30, 2011.

The school entered into a rental equipment lease agreement with its landlord commencing September 1, 2006 and expiring on August 31, 2010 with a five (5) year option extending the terms to August 31, 2015. The equipment being leased, located at 35-37 Watchung Avenue, Plainfield, New Jersey, is for the phone equipment requiring monthly payments of \$476 and internet equipment and lines requiring monthly payments of \$275. Total lease payments made during the year ended June 30, 2010 amounted to \$9,012. Future lease payments are \$1,502 for the year ended June 30, 2011.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8: PENSION PLANS**

**Description of Plans**

All required employees of the District 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 as of January 1, 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 District 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 was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, 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.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 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 60 and are generally determined to be 1/60 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 two percent 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**

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 1/2 of one percent to 4.5 percent 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 School's normal contributions to the Fund may be reduced based on the revaluation of assets.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8: 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 five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/10	None	100%	None
06/30/09	None	100%	None
06/30/08	None	100%	None

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

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/10	None	100%	None
06/30/09	None	100%	None
06/30/08	None	100%	None

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9: 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-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 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 Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2009, the State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members.

**NOTE 10: 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.

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

In January, 2010 the Charter School entered into a Tenant Improvement agreement with the Friends of Central Jersey Arts Charter School, Inc. ("Friends"), a non-profit corporation, for the leasing of a new school facility located on South Avenue in Plainfield, New Jersey. The agreement provides for Friends to lease the facility from the owner and sublease the facility to the Charter School when certain conditions are completed.

Friends will procure certain necessary pre lease services in connection with long term leasing of the facility including, but not limited to, consultant services, financing services, legal services, engineering, architect and design services, due diligence analysis of the property services (title,

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 11: COMMITMENTS AND CONTINGENCIES (CONTINUED)**

survey, environmental) and other services commensurate with pre-leasing and improving the property for use by the Charter School. The agreement calls for Friends to pay for the services on behalf of the Charter School and the Charter School to deliver the following per tenancy payment to Friends to cover the out of pocket costs of the services as follows:

- \$30,000 initial payment used to reimburse Friends for the actual costs of the services,
- further reimbursement payments upon receipt of a written invoice by Friends which will not exceed \$20,000

Friends shall not be entitled to any administrative fee or any other fee that is not a direct cost for the services. Upon completion of the services, or should the parties not enter into a lease, Friends shall return any unused funds to the Charter School. The school paid \$50,000 which was included as a capital outlay expense for June 30, 2010.

**Litigation**

The Charter School was named in a lawsuit against Reginald Thomas Architect, LLC ("RTLA"). The School hired RTLA during the spring of 2009 to provide architectural services associated with the renovation of a new school facility located on South Avenue in Plainfield, New Jersey. In the summer of 2009 the School decided to proceed in a different manner thereby releasing RTLA of all further architectural services. RTLA is suing based on breach of contract claiming a total amount of \$152,155. The School denied the claim based on various defenses. The case is presently in the early part of discovery.

**NOTE 12: FUND BALANCE APPROPRIATED**

General Fund

The General Fund fund balance of 664,510 in the fund financial statements at June 30, 2010 is unreserved and undesignated.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULES***

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 729,756	\$ 34,471	\$ 764,227	\$ 764,227	\$ -
Total Local Levy Budget	729,756	34,471	764,227	764,227	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	3,088,235	126,621	3,214,856	3,214,856	-
Special Education Aid	135,420	(30,622)	104,798	104,798	-
Security Aid	102,072	9,696	111,768	111,768	-
Total Categorical Aid	3,325,727	105,695	3,431,422	3,431,422	-
Revenues From Other Sources:					
Miscellaneous Revenue	-	-	-	6,765	6,765
Medical Assistance Program (SEMI)	-	-	-	10,675	10,675
Reimbursed TPAF Pension	-	-	-	81,770	81,770
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	102,197	102,197
Total Revenues From Other Sources	-	-	-	201,407	201,407
Total Revenues	4,055,483	140,166	4,195,649	4,397,056	201,407
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	1,332,550	(47,657)	1,284,893	1,277,859	7,034
Other Salaries for Instruction	302,000	(101,000)	201,000	198,818	2,182
Purchased Prof/Tech Services	-	675	675	-	675
Other Purchased Services	62,600	(7,696)	54,904	54,451	453
General Supplies	49,824	11,000	60,824	59,906	918
Textbooks	42,000	(14,537)	27,463	27,382	81
Miscellaneous	8,000	(1,809)	6,191	6,191	-
Total Instruction	1,796,974	(161,024)	1,635,950	1,624,607	11,343
Administration:					
Salaries - General Administration	230,300	(2,787)	227,513	199,653	27,860
Salaries of Secretarial/Clerical Assistants	195,750	24,250	220,000	192,494	27,506
Total Benefits Cost	510,330	42,411	552,741	465,831	86,910
Purchases Prof/Tech Services	117,900	80,286	198,186	170,375	27,811
Other Purchased Services	20,500	(13,660)	6,840	6,810	30
Communications/Telephone	31,500	5,275	36,775	32,342	4,433
Supplies and Materials	21,110	4,365	25,475	24,772	703
Miscellaneous Expenses	13,300	(3,923)	9,377	8,154	1,223
Total Administration	1,140,690	136,217	1,276,907	1,100,431	176,476

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 313,699	\$ 45,922	\$ 359,621	\$ 317,243	\$ 42,378
Purchased Prof/Tech Services	78,940	46,569	125,509	108,336	17,173
Rental of Land and Buildings	495,000	208,643	703,643	655,319	48,324
Other Purchased Services	-	100	100	-	100
Transportation-Other Than To/From School	5,700	8,636	14,336	13,750	586
Insurance for Property, Liability and Fidelity	14,243	488	14,731	13,573	1,158
Supplies and Materials	5,000	10,400	15,400	14,221	1,179
Energy Costs (Heat and Electricity)	67,500	9,760	77,260	72,554	4,706
<b>Total Support Services</b>	<b>980,082</b>	<b>330,518</b>	<b>1,310,600</b>	<b>1,194,996</b>	<b>115,604</b>
Capital Outlay:					
Instructional Equipment	45,000	(1,919)	43,081	4,008	39,073
Non-Instructional Equipment	18,822	(11,903)	6,919	6,919	-
Lease Purchase-Principal	-	50,000	50,000	50,000	-
<b>Total Capital Outlay</b>	<b>63,822</b>	<b>36,178</b>	<b>100,000</b>	<b>60,927</b>	<b>39,073</b>
Reimbursed TPAF Pension	-	-	-	81,770	(81,770)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	102,197	(102,197)
<b>Total Expenditures</b>	<b>3,981,568</b>	<b>341,889</b>	<b>4,323,457</b>	<b>4,164,928</b>	<b>158,529</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	73,915	(201,723)	(127,808)	232,128	359,936
FUND BALANCE, JULY 1	203,253	150,000	353,253	353,253	-
PRIOR PERIOD ADJUSTMENT	-	79,129	79,129	79,129	-
ADJUSTED FUND BALANCE, JULY 1	203,253	229,129	432,382	432,382	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 277,168</b>	<b>\$ 27,406</b>	<b>\$ 304,574</b>	<b>\$ 664,510</b>	<b>\$ 359,936</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 277,168	\$ 27,406	\$ 304,574	\$ 664,510	\$ 359,936
<b>Total</b>	<b>\$ 277,168</b>	<b>\$ 27,406</b>	<b>\$ 304,574</b>	<b>\$ 664,510</b>	<b>\$ 359,936</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE SOURCES:</b>					
Federal	\$ 194,786	\$ (97,856)	\$ 96,930	\$ 96,930	\$ -
State	-	-	-	-	-
<b>Total Revenues</b>	<b>194,786</b>	<b>(97,856)</b>	<b>96,930</b>	<b>96,930</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	(179,474)	196,624	17,150	17,150	-
Purchased Prof/Tech Services	34,200	(16,842)	17,358	17,358	-
Other Purchased Services	3,500	(1,602)	1,898	1,898	-
General Supplies	164,090	(133,995)	30,095	30,095	-
Other Objects	11,250	(11,250)	-	-	-
<b>Total Instruction</b>	<b>33,566</b>	<b>32,935</b>	<b>66,501</b>	<b>66,501</b>	<b>-</b>
Support Services:					
Salaries of Supervisors of Instruction	32,760	(32,760)	-	-	-
Personal Services - Employee Benefits	33,977	(21,618)	12,359	12,359	-
Purchased Prof/Ed Services	65,456	(47,386)	18,070	18,070	-
Other Purchased Professional Services	1,703	(1,703)	-	-	-
Other Purchased Services	14,126	(14,126)	-	-	-
Supplies and Materials	9,322	(9,322)	-	-	-
<b>Total Support Services</b>	<b>161,220</b>	<b>(130,791)</b>	<b>30,429</b>	<b>30,429</b>	<b>-</b>
<b>Total Expenditures</b>	<b>194,786</b>	<b>(97,856)</b>	<b>96,930</b>	<b>96,930</b>	<b>-</b>
<b>Excess of Revenues Over Expenditures and Other Financing Sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Management's Discussion and Analysis section of this report for explanations of significant budget variances, original and final

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Budgetary Comparison Schedule  
 Budget-To-GAAP Reconciliation  
 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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b>	\$ 4,397,056	<b>[C-2]</b>	\$ 96,930
 Difference - Budget to GAAP				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		_____		_____
				-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b>	<u>\$ 4,397,056</u>	<b>[B-2]</b>	<u>\$ 96,930</u>
 <b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b>	\$ 4,164,928	<b>[C-2]</b>	96,930
 Differences - Budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		_____		_____
				-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b>	<u>\$ 4,164,928</u>	<b>[B-2]</b>	<u>\$ 96,930</u>

***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

*Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.*

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Special Revenue Fund  
 Combining Schedule of Revenues and Expenditures  
 Budgetary Basis  
 For the Fiscal Year Ended June 30, 2009

	Title I Part A	Title I Carryover	Title IV	I.D.E.A. Part B Basic	ARRA I.D.E.A. Basic	Total
<b>REVENUE SOURCES:</b>						
Federal	\$ 1,710	\$ 47,225	\$ 400	\$ 18,360	\$ 29,235	\$ 96,930
State	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 1,710</b>	<b>\$ 47,225</b>	<b>\$ 400</b>	<b>\$ 18,360</b>	<b>\$ 29,235</b>	<b>\$ 96,930</b>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers	\$ 1,710	\$ 15,440	\$ -	\$ -	\$ -	\$ 17,150
Purchased Prof/Tech Services	-	17,358	-	-	-	17,358
Other Purchased Services	-	1,898	-	-	-	1,898
General Supplies	-	-	-	860	29,235	30,095
<b>Total Instruction</b>	<b>1,710</b>	<b>34,696</b>	<b>-</b>	<b>860</b>	<b>29,235</b>	<b>66,501</b>
Support Services:						
Personal Services - Employee Benefits	-	12,359	-	-	-	12,359
Purchased Prof/Ed Services	-	170	-	17,500	-	17,670
Purchased Technical Services	-	-	400	-	-	400
<b>Total Support Services</b>	<b>-</b>	<b>12,529</b>	<b>400</b>	<b>17,500</b>	<b>-</b>	<b>30,429</b>
<b>Total Expenditures</b>	<b>\$ 1,710</b>	<b>\$ 47,225</b>	<b>\$ 400</b>	<b>\$ 18,360</b>	<b>\$ 29,235</b>	<b>\$ 96,930</b>

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

*Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School’s board is that the costs of providing goods or services be financed through user charges.*

*Food Services Fund – This fund provides for the operation of food services for the Charter School.*

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND B-6.**

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENTS**

***Fiduciary funds are used to account for funds received by the school district for a specific purpose.***

***As of June 30, 2010, there is no non-expendable trust fund utilized by the Charter School.***

***Agency funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, other governments and/or other funds.***

***Payroll Agency Fund – This agency fund is used to account for the payroll transactions of the Charter School.***

***Student Activities Fund – This agency fund is used to account for student funds held at schools.***

***Net Payroll Fund – This agency fund is used to account for the payroll transactions of the school district.***

***Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employees' salaries which are utilized to pay unemployment compensation claims as they arise.***

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Assets  
 June 30, 2010

	Trust	Agency			Total Agency Fund
	Unemployment Compensation	Payroll Agency	Net Payroll	Student Activities	
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 3,524	\$ 51,021	\$ -	\$ 7,137	\$ 58,158
Interfund Accounts Receivable	-	-	10,916	-	10,916
<b>Total Assets</b>	<b>\$ 3,524</b>	<b>\$ 51,021</b>	<b>\$ 10,916</b>	<b>\$ 7,137</b>	<b>\$ 69,074</b>
<b>LIABILITIES:</b>					
Liabilities:					
Interfund Accounts Payable	\$ -	\$ 21,818	\$ -	\$ -	\$ 21,818
Accrued Salaries and Benefits	-	-	10,916	-	10,916
Payroll Deductions and Withholdings	-	29,203	-	-	29,203
Due to Student Groups	-	-	-	7,137	7,137
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 51,021</b>	<b>\$ 10,916</b>	<b>\$ 7,137</b>	<b>\$ 69,074</b>
<b>NET ASSETS:</b>					
Reserved Fund Balance	3,524				
<b>Total Net Assets</b>	<b>\$ 3,524</b>				

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Assets  
 For the Fiscal Year Ended June 30, 2010

	Unemployment Compensation Trust
<b>ADDITIONS:</b>	
Contributions	<u>\$ 52,446</u>
Total Additions	<u>52,446</u>
<b>DEDUCTIONS:</b>	
Payment of Claims	<u>49,880</u>
Total Deductions	<u>49,880</u>
<b>CHANGE IN NET ASSETS</b>	2,566
<b>NET ASSETS, JULY 1</b>	<u>958</u>
<b>NET ASSETS, JUNE 30</b>	<u><u>\$ 3,524</u></u>

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Fiduciary Funds  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Student Groups	\$ 10,389	\$ 37,708	\$ 40,960	\$ 7,137
Total	<u>\$ 10,389</u>	<u>\$ 37,708</u>	<u>\$ 40,960</u>	<u>\$ 7,137</u>

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 16,234	\$ 838,455	\$ 803,668	\$ 51,021
<b>Total Assets</b>	<u>\$ 16,234</u>	<u>\$ 838,455</u>	<u>\$ 803,668</u>	<u>\$ 51,021</u>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ -	\$ 809,241	\$ 787,423	\$ 21,818
Payroll Deductions and Withholdings	\$ 16,245	\$ 29,203	\$ 16,245	\$ 29,203
<b>Total Liabilities</b>	<u>\$ 16,245</u>	<u>\$ 838,444</u>	<u>\$ 803,668</u>	<u>\$ 51,021</u>

**STATISTICAL SECTION (UNAUDITED)**

***Central Jersey Arts Charter School has been in operation for three (3) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for three years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.***

**Contents**

**Financial Trends**

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

**Revenue Capacity (Not Applicable to Charter School)**

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

**Debt Capacity**

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

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the charter school provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2007; schedules presenting charter school-wide information include information beginning this year.

***FINANCIAL TRENDS***

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Net Assets by Component  
 Last Four Fiscal Years  
*(Accrual Basis of Accounting)*

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 50,000	\$ -	\$ -	\$ -
Unrestricted	<u>664,510</u>	<u>353,253</u>	<u>307,166</u>	<u>357,286</u>
<b>Total Governmental Activities Net Assets</b>	<u>\$ 714,510</u>	<u>\$ 353,253</u>	<u>\$ 307,166</u>	<u>\$ 357,286</u>
<b>Business-Type Activities</b>				
Unrestricted	<u>\$ (174,184)</u>	<u>\$ (45,758)</u>	<u>\$ (2,214)</u>	<u>\$ 1,433</u>
<b>Total Business-Type Activities Net Assets</b>	<u>\$ (174,184)</u>	<u>\$ (45,758)</u>	<u>\$ (2,214)</u>	<u>\$ 1,433</u>
<b>Charter School-wide</b>				
Unrestricted	<u>\$ 490,326</u>	<u>\$ 307,495</u>	<u>\$ 304,952</u>	<u>\$ 358,719</u>
<b>Total Charter School-wide Net Assets</b>	<u>\$ 540,326</u>	<u>\$ 307,495</u>	<u>\$ 304,952</u>	<u>\$ 358,719</u>

Source: Charter School's Records

**CENTRAL JERSEY ARTS CHARTER SCHOOL**

Changes in Net Assets  
Last Four Fiscal Years  
(Accrual Basis of Accounting)

	2010	2009	2008	2007
<b>Expenses</b>				
Governmental Activities:				
Instruction	\$ 2,130,047	\$ 2,020,542	\$ 1,595,661	\$ 1,368,546
Administration	751,173	687,067	382,787	247,212
Support Services	1,319,711	1,153,796	1,081,597	865,613
Capital Outlay	10,927	19,865		-
Total Governmental Activities Expenses	<u>4,211,858</u>	<u>3,881,270</u>	<u>3,060,045</u>	<u>2,481,371</u>
Business-Type Activities:				
Food Service	231,266	180,644	161,038	100,925
Total Business-Type Activities Expenses	<u>231,266</u>	<u>180,644</u>	<u>161,038</u>	<u>100,925</u>
Total Charter School Expenses	<u>\$ 4,443,124</u>	<u>\$ 4,061,914</u>	<u>\$ 3,221,083</u>	<u>\$ 2,582,296</u>
<b>Program Revenues</b>				
Governmental Activities:				
Operating Grants and Contributions	\$ -	-	49,431	34,375
Total Governmental Activities Expenses	<u>-</u>	<u>-</u>	<u>49,431</u>	<u>34,375</u>
Business-Type Activities:				
Charges for Services	10,364	40,184	68,501	42,681
Operating Grants and Contributions	92,476	96,916	58,890	58,903
Total Business-Type Activities Expenses	<u>102,840</u>	<u>137,100</u>	<u>127,391</u>	<u>101,584</u>
Total Charter School Program Revenues	<u>\$ 102,840</u>	<u>\$ 137,100</u>	<u>\$ 176,822</u>	<u>\$ 135,959</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (4,211,858)	\$ (3,881,270)	\$ (3,010,614)	\$ (2,446,996)
Business-Type Activities	(128,426)	(43,544)	(33,647)	659
Total Charter School-wide Net Expense	<u>\$ (4,340,284)</u>	<u>\$ (3,924,814)</u>	<u>\$ (3,044,261)</u>	<u>\$ (2,446,337)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
General Purposes	\$ 764,227	\$ 608,984	\$ 710,601	\$ 417,241
Federal and State Aid Not Restricted	3,729,759	3,318,143	2,236,941	2,366,543
Investment Earnings		230		-
Miscellaneous Income		-	12,952	20,498
Total Governmental Activities	<u>4,493,986</u>	<u>3,927,357</u>	<u>2,960,494</u>	<u>2,804,282</u>
Business-Type Activities:				
Transfers	-	-	30,000.00	774
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Total Charter School-wide	<u>\$ 4,493,986</u>	<u>\$ 3,927,357</u>	<u>\$ 2,990,494</u>	<u>\$ 2,804,282</u>
<b>Change in Net Assets</b>				
Governmental Activities	\$ 282,128	\$ 46,087	\$ (50,120)	\$ 357,286
Business-Type Activities	(128,426)	(43,544)	(3,647)	1,433
Total Charter School	<u>\$ 153,702</u>	<u>\$ 2,543</u>	<u>\$ (53,767)</u>	<u>\$ 358,719</u>

Source: Charter School's Records

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Fund Balances - Governmental Funds  
 Last Four Fiscal Years  
*(Modified Accrual Basis of Accounting)*

	<u>2010</u>	<u>2009 (restated)</u>	<u>2008</u>	<u>2007</u>
General Fund Unreserved	<u>\$ 664,510</u>	<u>\$ 432,382</u>	<u>\$ 307,166</u>	<u>\$ 357,286</u>
Total General Fund	<u><u>\$ 664,510</u></u>	<u><u>\$ 432,382</u></u>	<u><u>\$ 309,666</u></u>	<u><u>\$ 357,286</u></u>

Source: Charter School's Records

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Changes in Fund Balances - Governmental Funds  
 Last Four Fiscal Years  
*(Modified Accrual Basis of Accounting)*

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>				
Local Sources:				
Local Tax Levy	\$ 764,227	\$ 608,984	\$ 710,601	\$ 417,241
Interest In Investments	-	230	8,734	15,969
Miscellaneous	6,765	657	4,218	4,529
State Sources	3,615,389	3,070,369	2,134,241	2,378,188
Federal Sources	107,605	247,117	152,131	22,730
Total Revenues	<u>4,493,986</u>	<u>3,927,357</u>	<u>3,009,925</u>	<u>2,838,657</u>
<b>Expenditures:</b>				
Instruction	1,691,108	1,665,201	1,352,128	1,189,105
Administration	1,284,398	1,103,896	704,556	444,989
Support Services	1,225,425	1,092,308	1,003,361	847,277
Capital Outlay	60,927	19,865	-	-
Total Expenditures	<u>4,261,858</u>	<u>3,881,270</u>	<u>3,060,045</u>	<u>2,481,371</u>
Net Change in Fund Balance	<u>\$ 232,128</u>	<u>\$ 46,087</u>	<u>\$ (50,120)</u>	<u>\$ 357,286</u>

Source: Charter School's Records

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
 Last Four Fiscal Years  
*(Modified Accrual Basis of Accounting)*

Fiscal Year Ending June 30,	Interest Income	Contributions	Miscellaneous	Total
2010	\$ -	\$ -	\$ 17,440	\$ 17,440
2009	230	-	657	887
2008	8,734	-	4,218	12,952
2007	15,969	3,000	1,529	20,498

Source: Charter School's Records

***OPERATING INFORMATION***

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Full-Time Equivalent Charter School Employees by Function  
 Last Four Fiscal Years

Function	2010	2009	2008	2007
Instruction	47	47	39	N/A
Administrative	4	4	4	N/A
Support Services	5	5	5	N/A
Food Service	2	1	2	N/A
Total	<u>58</u>	<u>57</u>	<u>50</u>	<u>-</u>

Source: Charter School's Records

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 Operating Statistics  
 Last Four Fiscal Years

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2010	297	\$ 4,104,001	\$ 13,818	20.74%	57	5.2 : 1	290	273	-0.69%	94.14%
2009	330	3,614,388	10,953	8.09%	57	5.8 : 1	292	265	3.42%	90.75%
2008	282	2,838,938	10,067	15.28%	50	5.6 : 1	282	252.4	20.92%	89.50%
2007	223	1,902,007	8,529	0.00%	31	7.1 : 1	223	217	0.00%	97.31%

Source: Charter School's Records

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
 School Building Information  
 Last Four Fiscal Years  
 (Unaudited)

<b><u>Charter School Building</u></b>	2010	2009	2008	2007
<u>School</u>				
Square Feet	35,000	35,000	25,000	N/A
Capacity (students)	300	300	250	N/A
Enrollment	300	300	208	N/A
Number of Schools at June 30, 2010				
School = 1				

Source: Charter School's Records

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Insurance Schedule  
June 30, 2010

	<u>Coverage</u>	<u>Deductible</u>
<i>Liability Package - Discover</i>	\$1,000,000/2,000,000/10,000	N/A
<i>Abuse and Molestation - Discover</i>	2,000,000/1,000,000	N/A
<i>Worker's Compensation - US FLD</i>	1,000,000	N/A
<i>School Board Liability &amp; Employment Practices - Westchester Fire</i>	1,000,000	\$ 5,000
<i>Excess Liability - Ins Co State of PA</i>	10,000,000	
<i>Property Insurance - Travelers Ind</i>	200,000	5,000

***SINGLE AUDIT SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

K-1  
Page 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  
Central Jersey Arts Charter School  
County of Union  
Plainfield, New Jersey

We have audited the financial statements of the Board of Trustees of Central Jersey Arts Charter School, in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 26, 2010. 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 Central Jersey Arts Charter School Board of Trustees' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Central Jersey Arts Charter School Board of Trustees' internal control over financial reporting.

*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 significant deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevent, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Jersey Arts Charter School Board of Trustees' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

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



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

November 26, 2010

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

K-2  
Page 1

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

Honorable President and  
Members of the Board of Trustees  
Central Jersey Arts Charter School  
County of Union  
Plainfield, New Jersey

**Compliance**

We have audited the compliance of the Board of Trustees of Central Jersey Arts Charter School, in the County of Union, State of New Jersey, with the types of compliance requirements described in the New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that are applicable to each of its major federal and state programs for the year ended June 30, 2010. Central Jersey Arts Charter School Board of Trustees' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Central Jersey Arts Charter School Board of Trustees' management. Our responsibility is to express an opinion on Central Jersey Arts Charter School Board of Trustees' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. This standard, 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 or state program occurred.

An audit includes examining, on a test basis, evidence about Central Jersey Arts Charter School Board of Trustees' 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 of Central Jersey Arts Charter School Board of Trustees' compliance with those requirements.

In our opinion, the Board of Trustees of Central Jersey Arts Charter School, in the County of Union, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of the Board of Trustees of Central Jersey Arts Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Central Jersey Arts Charter School Board of Trustees' internal control over compliance with requirements that could have a direct and material effect on a major federal and state program 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 with OMB Circular A-133 and New Jersey OMB's Circular 04-04, 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 Central Jersey Arts Charter School Board of Trustees' internal control over compliance.

*A deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. Central Jersey Arts Charter School Board of Trustees' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Central Jersey Arts Charter School Board of Trustees' responses and, accordingly, we express no opinion on the responses.

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

A handwritten signature in black ink, appearing to read 'R. Barre', written in a cursive style.

Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

November 26, 2010

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June, 30, 2010

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From: To	Balance at June 30, 2009	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2010	
											Accounts Receivable	Deferred Revenue
<b>U.S. Department of Education</b>												
General Fund:												
Medical Assistance Program (SEMI)	93.778	N/A	\$ 10,675	7/1/09 6/30/10	\$ 10,675	\$ -	\$ 10,675	\$ (10,675)	\$ -	\$ -	\$ -	\$ -
Total General Fund					10,675	-	10,675	(10,675)	-	-	-	-
<b>U.S. Department of Education</b>												
Passed-through State Department of Education												
Special Revenue Fund:												
Title I												
Title I Carryover	84.151	NCLB 2010	93,685	9/1/09 8/31/10								
Title I Carryover	84.151	NCLB 2009	244,448	9/1/08 8/31/09	(26,491)		40,650	(1,710)			(1,710)	
ARRA Title I	84.389	NCLB 2008	120,104	9/1/07 8/31/08	14,933			(47,225)			(33,066)	14,933
Title II-Part A	84.168	NCLB 2010	77,515	9/1/09 8/31/10								
Title II-Part A Carryover	84.168	NCLB 2010	3,399	9/1/09 8/31/10								
Title II-Part A Carryover	84.168	NCLB 2009	8,940	9/1/08 8/31/09								
Title II-Part A Carryover	84.168	NCLB 2008	3,949	9/1/07 8/31/08	3,800							3,800
Title II-Part D	84.168	NCLB 2010	1,097	9/1/09 8/31/10								
Title II-Part D Carryover	84.168	NCLB 2008	1,949	9/1/07 8/31/08	805							805
Title II-Part D Carryover	84.168	NCLB 2007	5,888	9/1/06 8/31/07	5,888							5,888
Title III	84.169	NCLB 2010	5,186	9/1/09 8/31/10								
Title III Carryover	84.169	NCLB 2009	704	9/1/08 8/31/09								
Title IV	84.186	NCLB 2010	1,560	9/1/09 8/31/10								
Title IV Carryover	84.186	NCLB 2009	3,567	9/1/08 8/31/09				(400)			(400)	
Title IV Carryover	84.186	NCLB 2008	2,819	9/1/07 8/31/08	619							619
Title V Carryover	84.186	NCLB 2007	1,712	9/1/06 8/31/07	1,062							1,062
Title V Carryover	84.151	NCLB 2008	612	9/1/07 8/31/08	612							612
I.D.E.A. Part B Basic	84.027	NCLB 2007	637	9/1/06 8/31/07	637							637
I.D.E.A. Part B Basic Carryover	84.027	NCLB 2010	55,031	9/1/09 8/31/10								
ARRA I.D.E.A. Part B Basic	84.391	NCLB 2009	52,478	9/1/08 8/31/09	(14,350)		14,350	(18,360)			(18,360)	
I.D.E.A. Part B, Preschool	84.173	NCLB 2008	81,159	9/1/09 8/31/10				(29,235)			(29,235)	
I.D.E.A. Part B, Preschool, Carryover	84.173	NCLB 2007	1,036	9/1/06 8/31/07								
I.D.E.A. Part B, Preschool, Carryover	84.173	NCLB 2008	1,001	9/1/07 8/31/09								
ARRA I.D.E.A. Part B, Preschool	84.392	NCLB 2009	2,916	9/1/08 8/31/09	210							210
Total Special Revenue Fund					(12,275)	-	55,000	(96,930)	-	-	(82,771)	28,566
<b>U.S. Department of Agriculture</b>												
Passed-through State Department of Education												
Enterprise Fund:												
National School Breakfast Program	10.553	N/A	15,122	7/1/09 6/30/10			10,768	(15,122)			(4,354)	
National School Breakfast Program Carryover	10.553	N/A	16,006	7/1/08 6/30/09	(979)		979					
National School Lunch Program	10.555	N/A	72,997	7/1/09 6/30/10			51,266	(72,997)			(21,731)	
National School Lunch Program Carryover	10.555	N/A	87,444	7/1/08 6/30/09	(5,723)		5,723					
National School Snack Program Carryover	10.558	N/A	-	7/1/08 6/30/09	(341)		341					
Total Enterprise Fund					(7,043)	-	69,077	(88,119)	-	-	(26,085)	-
Sub-Total Federal Financial Awards					(8,643)	-	\$134,752	(195,724)	-	-	(108,856)	\$ 28,566

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June, 30, 2010

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period		Balance at June 30, 2009		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2010		MEMO	
			From	To	Deferred Revenue (Accounts Receivable)	Grantor					Due to Grantor	Deferred Revenue (Accounts Receivable)		Due to Grantor
<b>State Department of Education:</b>														
General Fund:														
"Local Levy" State Share - Charter School Akr	10-495-034-5120-071	\$3,214,856	07/01/09	06/30/10	\$ -	\$ -	\$3,283,441	\$ (3,214,856)	\$ -	\$ -	\$ (68,585)	\$ -	\$ (137,170)	\$ 3,214,856
Special Education Aid	10-495-034-5120-348	104,798	07/01/09	06/30/10	-	-	104,798	(104,798)	-	-	-	-	-	104,798
Security Aid	09-495-034-5120-007	111,768	07/01/09	06/30/10	-	-	111,768	(111,768)	-	-	-	-	-	111,768
Non-Public Aid		-	07/01/09	06/30/10	-	-	-	-	-	-	-	-	-	-
Reimbursed TPAF - Pension	10-495-034-5095-006	81,770	07/01/09	06/30/10	-	-	81,770	(81,770)	-	-	-	-	-	81,770
Reimbursed TPAF - Social Security	10-495-034-5095-002	102,197	07/01/09	06/30/10	-	-	155,704	(102,197)	-	-	(53,507)	-	(107,014)	102,197
Reimbursed TPAF - Social Security	09-495-034-5095-051	80,552	07/01/08	06/30/09	-	-	-	-	-	-	-	-	-	-
Total General Fund							3,737,481	(3,615,389)			(122,092)		(244,184)	3,615,389
Special Revenue Fund:														
CADRE Grant		68,975	07/01/09	06/30/10	(3,247)	-	-	-	3,247	-	-	-	68,975	-
Teacher Mentor Program Aid		-	07/01/09	06/30/10	2,388	-	-	-	-	-	-	2,388	-	-
Total Special Revenue Fund					(859)	-	-	-	3,247	-	-	2,388	68,975	-
<b>State Department of Agriculture</b>														
Enterprise Fund:														
National School Breakfast Program (State Share)	10-100-010-3350-021	3,161	07/01/09	06/30/10	-	-	1,955	(3,161)	-	-	(944)	-	262	3,161
National School Breakfast Program (State Share)	09-100-010-3350-021	3,947	07/01/08	06/30/09	(262)	-	262	-	-	-	-	-	-	-
National School Lunch Program (State Share)	10-100-010-3350-023	1,196	07/01/09	06/30/10	-	-	781	(1,196)	-	-	(342)	-	73	1,196
National School Lunch Program (State Share)	09-100-010-3350-023	1,187	07/01/08	06/30/09	(73)	-	73	-	-	-	-	-	-	-
Total Enterprise Fund					(335)	-	3,071	(4,357)			(1,286)		335	4,357
Total State Financial Assistance					\$ (1,194)	\$ -	\$3,740,552	\$ (3,619,746)	\$ 3,247	\$ -	\$ (123,378)	\$ -	\$ (174,874)	\$ 3,619,746

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
**Notes to the Schedules of Expenditures**  
**Of Awards and Financial Assistance**  
**June 30, 2010**

---

**NOTE 1. GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees, Central Jersey Arts Charter 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 using 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 bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO 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 expenditures have been made.

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
**Notes to the Schedules of Expenditures**  
**Of Awards and Financial Assistance**  
**June 30, 2010**

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to GAAP basis is none for the general fund and none for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 10,675	\$ 3,615,389	\$ 3,626,064
Special Revenue Fund	96,930	-	96,930
Food Service Fund	88,119	4,357	92,476
Total Awards & Financial Assistance	<u>\$ 195,724</u>	<u>\$ 3,619,746</u>	<u>\$ 3,815,470</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. FEDERAL AND STATE LOAN OUTSTANDING**

Central Jersey Arts Charter School has no loan balances outstanding at June 30, 2010.

**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2010

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements		<u>Unqualified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u>  X  </u> No

**State Awards Section**

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	_____ No
Type of auditors’ report issued on compliance for major programs		<u>Unqualified</u>
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	_____ Yes	<u>  X  </u> No

Identification of major state programs:

GMIS Number(s)	Name of State Program
_____ 10-495-034-5120-071 _____	_____ Local Levy – State Share _____
_____	_____
_____	_____
_____	_____

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2010

---

***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**

There were no matters reported.

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2010

---

***Section III – Federal Awards and State Financial Assistance  
Findings and Questioned Costs***

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

**STATE AWARDS**

**Finding**

There were no matters reported.

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
**Summary Schedule of Prior Year Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2010**

---

**STATUS OF PRIOR YEAR FINDINGS**

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 (.325(a)(b)) and NJOMB's Circular 04-04.

**Findings**

There were no matters report.