

***PATERSON CHARTER SCHOOL
FOR SCIENCE AND TECHNOLOGY***

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2010

***PATERSON CHARTER SCHOOL
FOR
SCIENCE AND TECHNOLOGY***

***Paterson Charter School for Science and Technology
Board of Trustees
Paterson, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Prepared by
Paterson Charter School for Science and Technology
Finance Department**

**And
Barre & Company, CPAs**

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INTRODUCTORY SECTION



September 17, 2010

Honorable President and
Members of the Board of Trustees
Paterson Charter School for Science and Technology
County of Passaic
Paterson, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Paterson Charter School for Science and Technology (Charter) for the fiscal year ended June 30, 2010. This CAFR includes the Charter's Basic Financial Statements 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 Paterson Charter School for Science and Technology 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 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.

PCSST Executive Summary

Paterson Charter School for Science and Technology (PCSST) is a tax-exempt, nonprofit organization with a publicly funded charter school in the state of New Jersey. PCSST promotes academic excellence with special emphasis on achievement in math, science and technology and college preparation. PCSST serves students in two locations in Paterson. The elementary campus which currently serves students from 2nd through 5th is grade located at 765 14th Avenue and the Main Campus serves students from 6th through 12 grades located at 276 Wabash Avenue Paterson.

The mission of PCSST is to provide a responsible educational model that will empower all students, through a standards-equity based academic program founded on expectations for high achievement that will graduate literate, responsible, self-directed persons who have the core knowledge and skills needed to become successful, contributing members of society. PCSST will help them develop the academic and social skills necessary to become successful professionals and exemplary members of their community and the society. This goal will be achieved by providing the students with a rigorous academic curriculum with emphasis on math and science, balanced by a strong foundation in the humanities, a character education program, career-oriented college preparation, and strong student–teacher–parent collaboration.

PCSST commenced education fall of 2003 in an 11,000 square-foot building at 5-7 Mill Street Paterson with 12 teachers and 147 students in 6th, 7th and 8th grades. The Mill street building was an old silk factory. It was a narrow, four story brick building with no gym or lunchroom. After an extensive site search, PCSST moved to a 66,800 square-foot building at 276 Wabash Avenue in fall of 2005. Since then school expanded to high school grades and reached to its full capacity of 588 students in 2009.

In 2009 PCSST has received approval to open elementary grades from the Department of Education. After the approval school administrators conducted another extensive site search in Paterson. The elementary school now located at 14th avenue serves 2nd through 5th graders for the 2010-2011 academic years. Next year kindergarten and grade 1 will be added to elementary school when fully operational in 2011-2012, PCSST will serve grades K-12 with 1068 students at maximum.

PCSST is not only a Charter School but also the first ever inner-city school which has participated in the Regional Science Olympiads. Participating students were the only urban students who placed 7th among 16 competing schools in the Northern Jersey

Regional Science Olympiad. They have received two gold, seven silver and two Bronze medals. Notably PCSST also won the 4th level award during future City 2006 competitions in Philadelphia and New Jersey State competitions.

Last year PCSST had its second graduating class with 79 students and all have received acceptance from over 60 different institutions of higher education Colleges and universities to which the students were accepted included; Rutgers University, William Paterson University, New Jersey Institute of Technology, City University of New Jersey, Montclair State University, Fairleigh Dickinson University, Pennsylvania State University, Hartford University, Drexel University, The University of Maine, Boston University, Emerson College, Stevens University, Bryant University, Kean University, Rowan University, Monmouth University, etc. Many of the students were accepted at multiple schools. Overall, they qualified for approximately \$2,000,000 in grants and scholarships for their college educations. The achievement of PCSST seniors is the combination of strong collaboration and commitment among PCSST teachers, counselors, parents and administrators.

PCSST is moving forward with its emphasis on academics. We now have a chapter of the National Honor Society for the High School as well as a chapter of the Junior National Honor Society at the Middle School. In addition, we have started our first true honors program in mathematics, one which will lead to Advanced Placement Calculus for our current freshmen by the time they are seniors. Many new electives have been added for the '10-'11 academic year which include Anatomy and Physiology, Women's Literature, Junior ROTC, Trigonometry, Statistics, Choir, Junior ROTC, Chinese and Turkish languages. Perhaps the most exciting of the new courses is "Tomorrow's Teachers", a program developed by the New Jersey Department of Education. One of our experienced teachers participated in the training provided by NJDOE and we now have a local chapter of the "Future Educators of America" as an extracurricular activity to support the course."

We welcome the participation of our parents as we strive to make PCSST stand for excellence in all areas of school endeavor.

1. REPORTING ENTITY AND ITS SERVICES: Paterson Charter School for Science and Technology is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds of the charter school are included in this report. Paterson Charter School for Science and Technology Board of Trustees constitutes the Charter School's reporting entity.

Paterson Charter School for Science and Technology provides a full range of educational services appropriate to Grades 6, 7, 8, 9, 10, 11 and 12. 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 565 students. The following details the changes in the student enrollment of the Charter School over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	565	-0.53%
2008-2009	568	13.20%
2007-2008	493	17.24%
2006-2007	408	19.85%
2005-2006	327	52.29%

2. ECONOMIC CONDITION AND OUTLOOK: Paterson is the one of the largest cities in New Jersey. Industry and business is still expanding and education level of Paterson is increasing everyday. Paterson has an increasing education budget since it is Abbott district.

3. MAJOR INITIATIVES:

A. PROGRESS ON ACADEMIC GOALS

1. Raise grading requirements, particularly for minimum passing grade.

This was successfully implemented. However, as one would expect when higher standards are initially phased in, the course failure rate did increase and attendance at summer school increased from 40 to 90 students.

2. Implement a more effective staff development program

The following is a brief description of the new staff development programs offered during '09-'10 and the faculty feedback assessment for each.

October 20, 2009

This session was devoted to state assessments; NJASK, HSPA and Biology EOC. Programs in mathematics and language arts were conducted by Educational Information and Resource Center (EIRC) formerly in Sewell, New Jersey and now located in Mullica Hill, New Jersey. Biology EOC was presented by Mrs. Lisa Solmose, Math/Science coordinator from the New Jersey Department of Education.

Staff participants rated the programs as follows:

Biology EOC	69% Excellent	31% Good	0% Fair	0% Poor
Language Arts:	31% Excellent	69% Good	0% Fair	0% Poor
Mathematics:	61% Excellent	39% Good	0% Fair	0% Poor

3. MAJOR INITIATIVES: (CONTINUED)

November 19 & 20, 2009

Parallel programs were presented on two consecutive days. "Educational Uses of Technology" was presented by Dr. Joseph Amara from LIA Technology Consulting Limited and "Multiple Intelligences" was presented by Mr. Edward Barry our new Director of Instruction.

Staff participants rated the programs as follows:

Multiple Intelligences: 80% Excellent 20% Good 0% Fair 0% Poor

Technology: 37% Excellent 57% Good 2% Fair 9% Poor

January 13, 2010

This session consisted of demonstration lessons by staff members who had been selected based on formal lesson observations to model multiple intelligences and inclusion team teaching. Four presentations were made, two each in use of multiple intelligences and inclusion teaching. The staff was roughly divided into math/science and liberal arts with the demonstration lessons geared to those respective broad areas. Each teacher observed/participated in one inclusion lesson and one lesson demonstrating use of all eight intelligences in a single 40 minute period.

Staff participants rated the program as follows:

Model lessons by PCSST staff: 72% Excellent 28% Good 0% Fair 0% Poor

May 14

This program was postponed from March due to flooding conditions which closed the school for five days. Once school resumed it was decided not to break momentum since the scheduled spring break took time away from the month of April as well. This program involved demonstration lessons in two contrasting areas: direct teaching and cooperative learning. "Cooperative Learning" was presented by a teaching staff member and "Instructional Theory/Bloom's Taxonomy" by Mr. Edward Barry, Director of Instruction. Staff participants rated the program as follows:

Cooperative learning: 74% Excellent 26% Good 0% Fair 0% Poor

ITIP/Bloom: 58% Excellent 42% Good 0% Fair 0% Poor

June 2, 2010

This session was devoted to analysis, reflection and goal development by individual departments. No feedback sheets were required, although each department head was required to submit a detailed report on the strengths and shortcomings of the prior year and establish goals for 2010-2011.

Conclusion

The data speak for themselves indicating that the professional development program was received in an overwhelmingly positive manner. Formal lesson observations reflect teachers' willingness to try new approaches.

3. MAJOR INITIATIVES: (CONTINUED)

3. Improve the percentage of students attending two and four year colleges by at least 20%.

This was clearly one of our most successful efforts of the year. The overall percentage of students attending two or four year colleges increased from 60% to 86%, almost doubling the goal of a 20% increase. The percentage of students attending four year colleges increased almost six fold from 12% to 68%. Due to the outstanding efforts of our college counselor, 100% of the senior class received an initial offer to attend two- or four-year colleges, although 8% chose to attend vocational training and 6% opted for the military. 100% of the 2010 graduates left with a definite post-graduate plan whereas 37% of the 2009 graduates had no definitive plans at commencement. Specifics are as follows:

The Paterson Charter School for Science and Technology Class of 2010 achieved 100 percent initial college acceptance including some of the nation's competitive institutions. 79 PCSST seniors received over 300 acceptances that included four-year and two-year institutions, as well as vocational schools and military schools. Overall, they qualified for around \$2,000,000 in grants and scholarships for their college education. The achievement of PCSST seniors is the combination of strong collaboration among PCSST teachers, counselors, parents and strong administrative collaboration and students' commitment and dedication. The success of our seniors will not only change PCSST, it will also change their environment.

PCSST developed a very unique individualized college guidance program. The program includes one-on-one college planning and career search as well as support in SAT preparation, college essay writing, and financial aid." PCSST organized 5 college fairs and 10 instant decision days and 1 regional career fair between September 2009 and June 2010. The college guidance model that PCSST developed was approved to be presented in October 17, 2010 at the NEW JERSEY SCHOOL COUNSELORS ANNUAL CONFERENCE.

PCSST College guidance and individualized support services begin with counseling for standardized testing and course selection in ninth grade and continue with college awareness for eleventh and twelfth grade students and families. Individual scheduled meetings and home visits play an important role in students' success.

The primary goal of the PCSST counseling department was to guide each student to identify the college or university which best matches his or her unique abilities and ambitions. Because faculty and administrators know each student well, they write individual and informed letters of recommendation.

One of the biggest advantages of PCSST is that seniors get proper guidance and support for their career and college education because PCSST counselors and teachers know the students very well since they have been here for seven years.

3. MAJOR INITIATIVES: (CONTINUED)

Colleges and universities to which the students were accepted included: Pennsylvania State University, Rutgers University, Hartford, University, Drexel University, The University of Maine, Boston University, Emerson College, Stevens University, New Jersey Institute of Technology, Bryant University, Kean University, William Paterson University, Montclair State University, Rowan University, Kean University, City University of New Jersey, Monmouth University, Fairleigh Dickinson University, Florida State University, Drew University, Seton Hall University, University of Maryland, Mount Ida College, Neumann University, Delaware State University, New York Institute of Technology, Winston Salem State University, LA Roche College, Memorial University. Bowie State University DeVry University, Niagara University, Goldey Beacon College, Virginia Union University, St. John's University, Albright College, Chestnut Hill College, Caldwell College, Shaw University, St. Johnson and Wales University Augustine's College, King's College, York College, Bloomfield College. Lebanon Valley College, Art Institute of Pittsburgh, Virginia State University, Florida Memorial University, Nyack College Berkeley College, Dover Business College, Emerson College, Voorhees College, and Felician College, Passaic County Community College, Bergen County Community College, Lincoln Technical Institution, National Guard and Army, Capri Institute of Hair Design, Parisian Beauty Academy. Many of the students were accepted at multiple schools.

2009-2010 Counseling Department Data Summary

PCSST College Guidance Related Activities	2008-2009 Data	2009-2010 Data
# of seniors who have been acted into four years programs	8	52
# of seniors who have been acted into 2 years programs	42	19
# of seniors who have been acted into Vocational & Trade Schools	2	6
# of seniors who have been acted into National Guard	1	2
# of seniors who did not apply college	30	0
Amount of estimated total earned scholarship	\$400,000	\$2,000,000
Partial Scholarships	21	56
Full Scholarships	3	14
# of sent applications	40	370
#of organized instant decision days	0	11
# of SAT Prep After School Tutoring Sessions	7	58
# of students who participated SAT Tutoring Sessions	8	49
# of Saturday Full SAT Practice Test	0	8
# of seniors took SAT	20	79
# of Juniors took PSAT in October	4	65
# of colleges invited	2	13
# of parent college awareness workshops	0	3

3. MAJOR INITIATIVES: (CONTINUED)

# of seniors college awareness workshop	1	4
# of career search workshop	0	2
# of college fairs	0	4
# of seniors participated college fairs	4	80
# of Armed Forces invitation	0	4
# of seniors participated in instant decision day	5	70
# of home visits	6	87
# of organized career fairs	0	1
# of classroom guidance activities	1	7
# of counselors and school administration meetings	3	21
# of counselors and teachers meetings	4	19

4. Implement mid-term and final examinations

The exams were implemented with no logistical or organizational problems, and it was decided to add mid-term and final examinations to next year's middle school program as well. Despite initial concerns about making the change after the start of the school year, exam grades were reasonably consistent with marking period grades, and exams did not significantly impact the failure rate, which was affected more by the change to averaging of percentage rather than letter grades.

5. Start an honors/AP track

Although in its infancy, the program is off to a good start as 100% of the students in the honors summer school program have an "A" or "B" average.

B. PROGRESS ON NON-ACADEMIC GOALS

1. Expand student recognition

Good progress was made in this area. Grade level assemblies were held each quarter to recognize students who had made the various honor rolls. Breakfasts were held for students who made "scholars" and "high honor" rolls. Students who had completed the PASS program received a trip to Six Flags Great Adventure.

2. Expand extra-curricular offerings by at least 25%

This goal was exceeded since the number of extra-curricular clubs expanded from 24 to 35, an increase of 46%. New clubs for 2009-2010 are as follows: Art & Painting, Aquarium, Cooking, Dance, Drum lessons, Media, Spanish, Sports Debate, Turkish Heritage, and World Cultures. A new Intramural Wrestling team was also added.

3. MAJOR INITIATIVES: (CONTINUED)

3. Provide positive role models for our minority students and parents, particularly African-American

Mr. Ray Broach, a much in demand speaker on minority and African-American issues, was the keynote speaker for Black History Month. He presented separate keynote addresses to our middle and high school students to celebrate the opening of Black History Month.

In March, Mr. Broach presented an evening program to our parents entitled "Closing the Achievement Gap for Minority Students". The program was well received and parents in attendance rated the overall presentation as follows:

Excellent	Good	Fair	Poor
66%	25%	8%	0%

Overall Conclusion

The new administration inherited many challenges. A history of high turnover among both teaching and administrative staffs resulted in a school with few established procedures and no overall vision. Despite this, the students and staff demonstrated good morale and the overall operation of the school was sound, but needing considerable refinement.

Lacking was a stimulating program of academics and extra-curricular activities for students, exacerbated by an over-emphasis on direct teaching by the staff. As noted above, significant gains were made in both of these areas during '09-'10 and continuing into '10-'11 when the new course offerings become operational.

The vast majority of the staff was non-tenured and looking for direction. Their response to a focused staff development program was very positive as reflected not only in their feedback on the programs but, more importantly, as evidenced by their willingness to quickly assimilate methods presented into their daily teaching.

The very significant increase in the percentage of students attending college and receiving scholarships not only benefited students but significantly improved the image of the school and further contributed to the already positive morale in the school.

The area of most concern continues to be student performance on standardized tests, particularly the math section of the HSPA. With the assignment of a proven veteran teacher to the junior math course and appointment of new leadership to the mathematics department, we have reason to believe that this situation will improve in the future. Another positive indicator in this regard is the response from members of the summer curriculum writing teams. The direction was to start from the standards and include only activities which support them. Several staff members indicated that this experience enabled them to view the standards from a new perspective and enabled them to better refine their programs to support them. Once all courses are focused in this manner, results on standardized tests should significantly improve.

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

As a recipient of federal and state financial assistance, the Charter School is also 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 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.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. 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 canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 2. 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 deposits with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds.

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPA's, was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, "*Audits of State, Local Governments and Non-Profits*

Organizations" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's 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.

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

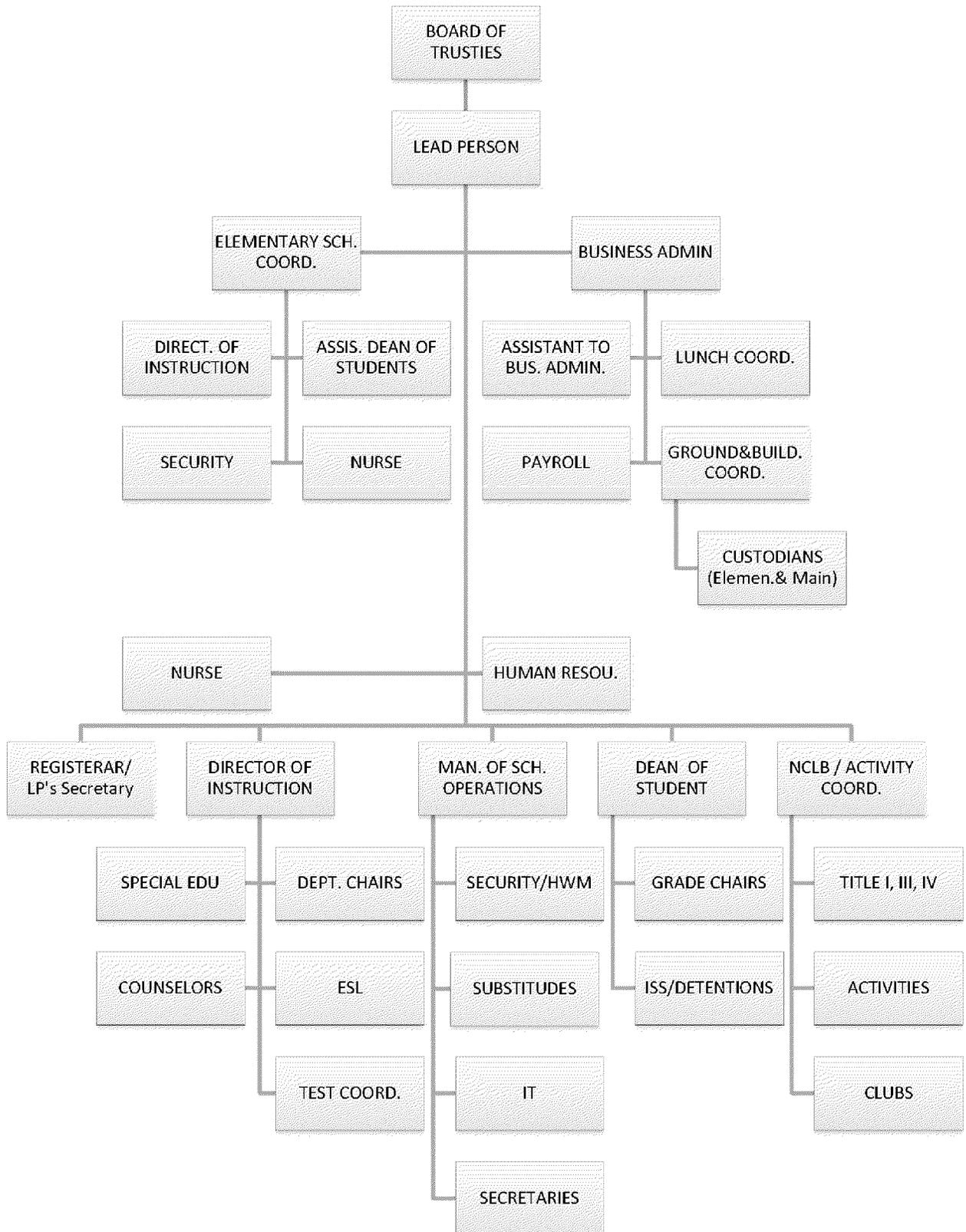
Respectfully submitted,



A. Riza Gurcanli
Lead Person

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

ORGANIZATIONAL CHART



**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2010**

Members of the Board of Trustees

Position

Ken Aydin	President
Tunc Ozlu	Vice President, Education
Vacant	Vice President, Outreach
Michelle Taylor-Budhai	Member, Parent
Charles Nelson	Member
Ayhan Koroglu	Member
Vacant	Member

Other Officials

A. Riza Gurcanli	Lead Person
Sakin Cebeci	Manager of School Operations
Edward Barry	Director of Instructions
Matt Anar	Business Administrator
Irfan Evcil	Assistant Business Administrator/Board Secretary
Christopher M. Lessard	Treasurer

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Riker, Danzig, Scherer, Hyland and Perretti, LLP
Attorneys at Law
Headquarters Plaza, One Speedwell Avenue
Morristown, NJ 07962-1981

Official Depository

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Paterson, NJ 07503

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
Paterson Charter School for Science and Technology
County of Passaic
Paterson, 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 the Paterson Charter School for Science and Technology, in the County of Passaic, 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 the Paterson Charter School for Science and Technology Board of Trustees' management. Our responsibility is to express an opinion on these basic 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 Paterson Charter School for Science and Technology Board of Trustees, in the County of Passaic, 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

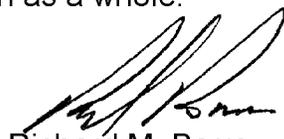
5 Independence Way ♦ Suite 300 ♦ Princeton, NJ 08540 ♦ (609) 275-4810
Metro Park Center ♦ 33 Wood Avenue So. ♦ Iselin, NJ 08830 ♦ (732) 603-2100

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010 on our consideration of the Paterson Charter School for Science and Technology 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 the Budgetary Comparison Information starting on pages 20 and 65, 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 Paterson Charter School for Science and Technology 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.



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

September 17, 2010

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

The discussion and analysis of Paterson Charter School for Science and Technology'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 a new 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 \$8,244,900 in revenues or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$156,625 or 2% percent of total revenues of \$8,401,525.
- ❖ The Charter School had \$7,836,646 in expenses; only \$156,625 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$8,244,900 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$8,155,660 in revenues and \$7,610,105 in expenditures. The General Fund's fund balance increased \$545,555 over 2009. This increase was anticipated by the Board of Trustees.

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 Paterson Charter School for Science and Technology as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

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

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 Paterson Charter School for Science and Technology, 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* answers 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 has 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.

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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

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

- ❖ 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 transaction. 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.

Enterprise Fund

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

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 44 of this report.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

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 \$1,953,473 for 2010 and \$1,323,036 for 2009.

Governmental Activities

The Charter School's total revenues were \$8,401,525 for 2010 and \$8,049,066 for 2009, this includes \$227,725 for 2010 and \$213,088 for 2009 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$7,836,646 for 2010 and \$6,991,094 for 2009. Instruction comprises 49% for 2010 and 51% for 2009 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.

Business-Type Activities

Revenues for the Charter School's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

Business-Type Activities (Continued)

- ❖ Proprietary Fund operating revenues exceeded operating expenses by \$54,300 for 2010 and operating revenues exceeded operating expenses by \$14,082 for 2009.
- ❖ Changes for services represent \$53,469 for 2010 and \$19,636 for 2009. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$209,891 for 2010 and \$155,357 for 2009.

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 \$8,401,525 for 2010 and \$8,049,066 for 2009 and expenditures were \$7,836,646 for 2010 and \$6,991,094 for 2009. The net change in fund balance for fiscal years 2010 and 2009 was most significant in the general fund, an increase of \$564,879 in 2010 and an increase of \$1,057,972 in 2009.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2010.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2009</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 889,726	10.59%	\$ 18,015	2.07%
State Sources	7,265,934	86.48%	475,523	7.00%
Federal Sources	245,865	2.93%	(141,079)	-36.46%
Total	\$ 8,401,525	100.00%	\$ 352,459	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2010.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

The Charter School's Funds (Continued)

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2009	Percent of Increase/ (Decrease)
Instruction	\$ 3,092,141	39.36%	\$ 39,336	1.29%
Administration	2,376,736	30.25%	562,829	31.03%
Support Services	2,362,321	30.07%	269,830	12.90%
Capital Outlay	24,772	0.32%	(38,524)	-60.86%
Total	\$ 7,855,970	100.00%	\$ 833,471	

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.

- ♣ 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.

Capital Assets (Net of Depreciation)

At the end of the fiscal year 2010, the Charter School had \$39,487 invested in machinery and equipment.

For the Future

The Paterson Charter School for Science and Technology 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, Paterson Charter School for Science and Technology has committed itself to financial stability 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY**

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

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. Matt Anar, Business Administrator at Paterson Charter School for Science and Technology, 276 Wabash Avenue, Paterson, New Jersey 07503.

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,341,569	\$ 71,782	\$ 1,413,351
Interfund Receivables	384,831		384,831
Receivables	313,373	16,681	330,054
Inventories		52,114	52,114
Capital Assets, Net	39,487	25,485	64,972
Total Assets	2,079,260	166,062	2,245,322
LIABILITIES:			
Interfund Payable	171,772	55,388	227,160
Payable to State Government			-
Payable to Federal Government	14,886		14,886
Accounts Payable	34,192	15,611	49,803
Total Liabilities	220,850	70,999	291,849
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	14,765	25,485	40,250
Unrestricted	1,843,645	69,578	1,913,223
Total Net Assets	\$ 1,858,410	\$ 95,063	\$ 1,953,473

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

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
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 3,097,219	\$ 705,582	\$ -	\$ 156,625	\$ -	\$ (3,646,176)	\$ -	\$ (3,646,176)
Administration	1,264,771	215,142				(1,479,913)		(1,479,913)
Support Services	2,362,481	191,401				(2,553,882)		(2,553,882)
Capital Outlay	50					(50)		(50)
Total Governmental Activities	6,724,521	\$ 1,112,125	-	156,625	-	(7,680,021)	-	(7,680,021)
BUSINESS-TYPE ACTIVITIES:								
Food Service	209,060		53,469	209,891			54,300	54,300
Total Business-Type Activities	209,060		53,469	209,891			54,300	54,300
Total Primary Government	\$ 6,933,581		\$ 53,469	\$ 366,516	\$ -	\$ (7,680,021)	\$ 54,300	\$ (7,625,721)
GENERAL REVENUES								
Federal and State Aid Not Restricted						\$ 8,242,866	\$ -	\$ 8,242,866
Investment Earnings						1,798		1,798
Miscellaneous Income						236	11,258	11,494
Total General Revenues						8,244,900	11,258	8,256,158
Change in Net Assets						564,879	65,558	630,437
Net Assets - Beginning						1,293,531	29,505	1,323,036
Net Assets - Ending						\$ 1,858,410	\$ 95,063	\$ 1,953,473

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Combining Balance Sheet
 June 30, 2010

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,341,569	\$ -	\$ 1,341,569
Receivables:			
Interfund Receivables	384,831		384,831
Receivables From Other Governments		193,525	193,525
Other Receivables	119,848		119,848
Total Assets	\$ 1,846,248	\$ 193,525	\$ 2,039,773
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 171,772	\$ 171,772
Payable to Federal Government		14,886	14,886
Accounts Payable	27,325	6,867	34,192
Total Current Liabilities	27,325	193,525	220,850
Total Liabilities	27,325	193,525	220,850
Fund Balances:			
Unreserved:			
General Fund	1,818,923		1,818,923
Total Fund Balances	1,818,923	-	1,818,923
Total Liabilities and Fund Balances	\$ 1,846,248	\$ 193,525	

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 is \$73,647 and the accumulated depreciation is \$34,160.

39,487

Net Assets of Governmental Activities

\$ 1,858,410

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 887,692	\$ -	\$ 887,692
Interest on Investments	1,798		1,798
Miscellaneous	236		236
Total Local Sources	889,726	-	889,726
State Sources	7,265,934		7,265,934
Federal Sources		245,865	245,865
Total Revenues	8,155,660	245,865	8,401,525
EXPENDITURES:			
Instruction	2,960,917	131,224	3,092,141
Administration	2,376,736		2,376,736
Support Services	2,247,680	114,641	2,362,321
Capital Outlay	24,772		24,772
Total Expenditures	7,610,105	245,865	7,855,970
NET CHANGE IN FUND BALANCES	545,555	-	545,555
FUND BALANCES, JULY 1	1,273,368	-	1,273,368
FUND BALANCES, JUNE 30	\$ 1,818,923	\$ -	\$ 1,818,923

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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) \$ 545,555

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

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

Depreciation Expense	\$ (5,398)	
Capital Outlay	<u>24,722</u>	<u>19,324</u>

Change in net assets of governmental activities \$ 564,879

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

PROPRIETARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund
Statement of Net Assets
June 30, 2010

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 112,628	\$ (52,094)	\$ 11,248	\$ 71,782
Intergovernmental Accounts Receivable:				
Federal	16,010			16,010
State	671			671
Inventories		52,114		52,114
Total Current Assets	<u>129,309</u>	<u>20</u>	<u>11,248</u>	<u>140,577</u>
Noncurrent Assets:				
Machinery and Equipment	34,428			34,428
Less Accumulated Depreciation	(8,943)			(8,943)
Total Noncurrent Assets	<u>25,485</u>	<u>-</u>	<u>-</u>	<u>25,485</u>
Total Assets	<u>\$ 154,794</u>	<u>\$ 20</u>	<u>\$ 11,248</u>	<u>\$ 166,062</u>
LIABILITIES AND NET ASSETS:				
Liabilities:				
Interfund Accounts Payable	\$ 49,428	\$ -	\$ 5,960	\$ 55,388
Accounts Payable	15,611			15,611
Total Liabilities	<u>65,039</u>	<u>-</u>	<u>5,960</u>	<u>70,999</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	25,485			25,485
Unrestricted	64,270	20	5,288	69,578
Total Net Assets	<u>89,755</u>	<u>20</u>	<u>5,288</u>	<u>95,063</u>
Total Liabilities and Net Assets	<u>\$ 154,794</u>	<u>\$ 20</u>	<u>\$ 11,248</u>	<u>\$ 166,062</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 50,969	\$ 2,500	\$ -	\$ 53,469
Miscellaneous Revenue	10		11,248	11,258
Total Operating Revenues	50,979	2,500	11,248	64,727
OPERATING EXPENSES:				
Salaries	58,995		5,960	64,955
Management Fees	8,000			8,000
Supplies and Materials	34,019			34,019
Depreciation Expense	3,036			3,036
Cost of Sales	90,468	2,480		92,948
Miscellaneous Expenses	6,102			6,102
Total Operating Expenses	200,620	2,480	5,960	209,060
OPERATING LOSS	(149,641)	20	5,288	(144,333)
NONOPERATING REVENUES:				
State Source:				
State School Breakfast/Lunch Program	7,500			7,500
Federal Source:				
National School Breakfast/Lunch/Snack Program	185,854			185,854
ARRA - National School Program Equipment	16,537			
Total Nonoperating Revenues	209,891	-	-	193,354
CHANGE IN NET ASSETS	60,250	20	5,288	49,021
TOTAL NET ASSETS, JULY 1	29,505	-	-	29,505
TOTAL NET ASSETS, JUNE 30	\$ 89,755	\$ 20	\$ 5,288	\$ 78,526

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 46,742	\$ 2,500	\$ 11,248	\$ 60,490
Cash Payments to Suppliers and Employees	(145,832)	(54,594)		(200,426)
Net Cash Used In Operating Activities	(99,090)	(52,094)	11,248	(139,936)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements	209,891			209,891
Net Cash Provided By Noncapital Financing Activities	209,891	-	-	209,891
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition And Construction Of Capital Assets	(22,228)			(22,228)
Net Cash Used For Capital And Related Financing Activities	(22,228)	-	-	(22,228)
Net Increase In Cash And Cash Equivalents	88,573	(52,094)	11,248	47,727
Cash And Cash Equivalents, Beginning Of Year	24,055	-	-	24,055
Cash And Cash Equivalents, End Of Year	\$ 112,628	\$ (52,094)	\$ 11,248	\$ 71,782
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Loss Used for Operating Activities	\$ (149,641)	\$ 20	\$ 5,288	\$ (144,333)
Depreciation	3,036			3,036
Change In Assets And Liabilities:				
Increase In Receivables From Other Governments	(4,237)			(4,237)
Increase In Inventories	53,614	(52,114)		1,500
Increase In Interfund Payable	25,037		5,960	30,997
Increase In Accounts Payable	(26,899)			(26,899)
Net Cash Used In Operating Activities	\$ (99,090)	\$ (52,094)	\$ 11,248	\$ (139,936)

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

FIDUCIARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2010

	Unemployment Compensation Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,366	178,316
	<u> </u>	<u> </u>
Total Assets	2,366	\$ 178,316
	<u> </u>	<u> </u>
LIABILITIES:		
Interfund Accounts Payable		\$ 132,671
Due to Student Groups		20,645
Due to General Fund		25,000
	<u> </u>	<u> </u>
Total Liabilities	-	\$ 178,316
	<u> </u>	<u> </u>
NET ASSETS:		
Reserved for Unemployment Claims	2,366	
	<u> </u>	
Total Net Assets	\$ 2,366	
	<u> </u>	

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets
 For Fiscal Year Ended June 30, 2010

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions	<u>\$ 28,479</u>
Total Additions	<u>28,479</u>
DEDUCTIONS:	
Payment of Claims	<u>27,813</u>
Total Deductions	<u>27,817</u>
CHANGE IN NET ASSETS	662
NET ASSETS - BEGINNING OF THE YEAR	<u>1,704</u>
NET ASSETS - END OF THE YEAR	<u><u>\$ 2,366</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

A. Reporting Entity

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Paterson Charter School for Science and Technology include a Grade 6 through 12 school located in the City of Paterson. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

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

Charter School-wide Statements: The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange 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, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*,

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

proprietary, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following *governmental* funds:

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 subfund.

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

Proprietary Fund Types: These funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Charter School reports the following *proprietary* fund:

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

Fiduciary Funds: The funds are used to account for assets held by the Charter School on behalf of others.

The Charter School reports the following *fiduciary* funds:

Agency Funds: The agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments, or on behalf of other funds within the Charter School. The agency funds included are as follows:

Payroll and Student Activities Funds: These are agency funds used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Unemployment Insurance Trust Fund: An expendable trust fund used to account for deductions from employees' salaries which are utilized to pay unemployment compensation claims as they arise.

C. Basis of Accounting – Measurement Focus

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 Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting while the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus (Continued)

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 established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations are 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 transactions 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.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. They are submitted to the county office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and 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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

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)	\$ 245,865
Adjustments:	
Less Encumbrances at June 30, 2010	-
Plus Encumbrances at June 30, 2009	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 245,865</u>

E. 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 revenues 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances Accounting (continued)

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.

F. 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.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Prepaid Expenses:

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure in the year of purchase.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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 and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & computer equipment	5-10

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.

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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 in accordance with N.J.S.A. 18:F7.

Revenues — Exchange and Nonexchange 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.

Nonexchange 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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange 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: property taxes available as an advance, 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 in the Enterprise Fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

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".

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

Deposits

New Jersey statutes require that Charter Schools 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. Charter Schools 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 Charter School.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 1,341,569</u>	<u>\$ -</u>	<u>71,782</u>	<u>\$ 180,682</u>	<u>\$ 1,594,033</u>

The Charter School had no investments at June 30, 2010.

The carrying amount of the Board's cash and cash equivalents at June 30, 2010 was \$1,594,033 and the bank balance was \$1,818,867. 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 below:

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.

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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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	\$ 294,289	\$ 294,960
Federal Aid	19,084	35,094
Gross Receivables	313,373	330,054
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 313,373</u>	<u>\$ 330,054</u>

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	\$ 384,831	\$ -
Special Revenue Fund		171,772
Proprietary Fund		55,388
Fiduciary Fund		157,671
Total	<u>\$ 384,831</u>	<u>\$ 384,831</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 48,925	\$ 24,722	\$ 73,647
Totals at Historical Cost	48,925	24,722	73,647
<i>Less Accumulated Depreciation For:</i>			
Machinery and Equipment	28,762	5,398	34,160
Total Accumulated Depreciation	28,762	5,398	34,160
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	20,163	19,324	39,487
Government Activity Capital Assets, Net	\$ 20,163	\$ 19,324	\$ 39,487
Business-Type Activities:			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 12,200	\$ 22,228	\$ 34,428
Less Accumulated Depreciation	(5,907)	(3,036)	(8,943)
Enterprise Fund Capital Assets, Net	\$ 6,293	\$ 19,192	\$ 25,485

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools 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 Charter School 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.

Depreciation expense was charged to functions as follows:

Instructional	\$ 5,078
Administration	160
Support	160
Total	\$ 5,398

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6: RENTAL LEASE

The school leases classroom and office space at 276 Wabash Avenue, Paterson, New Jersey. The lease is for sixty (60) months commencing June 1, 2007 and expiring on June 30, 2012 with an option to renew for one (1) period, consisting of five (5) years. From July 1, 2012 to June 30, 2017, the annual rent is \$1,054,000. Real estate taxes are additional payments. Total lease payments made during the year ended June 30, 2010 was \$1,312,640. Future minimum lease payments are as follows:

Year Ended August 31,	Amount
2011	\$ 1,054,000
2012	1,054,000
2013	1,054,000
2014	1,054,000
2015	1,054,000
2016	1,054,000
2017	1,054,000
Total future minimum lease payments	\$ 7,378,000

NOTE 7: PENSION PLANS

Description of Plans

All required employees of the school are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7: PENSION PLANS (CONTINUED)

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 Charter School and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System 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.

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7: PENSION PLANS (CONTINUED)

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 Schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

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 Charter School is a noncontributing employer of TPAF.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7: PENSION PLANS (CONTINUED)

Three-Year Trend Information for PERS			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$46,732	100%	\$46,732
6/30/09	35,901	100%	35,901
6/30/08	25,658	80%	20,526

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
6/30/10	None	100%	None
6/30/09	None	100%	None
6/30/08	None	100%	None

NOTE 8: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance

The charter school maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

The charter school has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the charter school is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The charter school is billed quarterly for amounts due to the State. The table is summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust fund for the current year:

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2009-2010	\$ -	\$ 28,479	\$ 27,813	\$ 2,366
2008-2009	-	51,023	50,091	1,704
2007-2008	-	7,271	7,593	769

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$1,818,923 General Fund balance at June 30, 2010, \$1,818,923 is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 861,238	\$ 26,454	\$ 887,692	\$ 887,692	\$ -
Total Local Levy Budget	861,238	26,454	887,692	887,692	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	6,448,655	80,396	6,529,051	6,529,051	-
Special Education Aid	134,958	21,667	156,625	156,625	-
Security Aid	198,144	10,540	208,684	208,684	-
Total Categorical Aid	6,781,757	112,603	6,894,360	6,894,360	-
Revenues From Other Sources:					
Interest Income				1,798	1,798
Miscellaneous Revenue				236	236
On-Behalf TPAF Pension Contributions (Non-Budgeted)				143,849	143,849
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				227,725	227,725
Total Revenues From Other Sources	-	-	-	373,608	373,608
Total Revenues	7,642,995	139,057	7,782,052	8,155,660	373,608
EXPENDITURES:					
Instruction:					
Salaries of Teachers	2,558,900	5,000	2,563,900	2,374,322	189,578
Other Salaries for Instruction	300,500	(57,200)	243,300	205,753	37,547
Purchased Prof/Tech Services	180,000	(143,350)	36,650	31,258	5,392
Other Purchased Services	13,740	39,528	53,268	45,775	7,493
General Supplies	212,600		212,600	205,175	7,425
Textbooks	80,000		80,000	69,169	10,831
Miscellaneous	39,500	(5,000)	34,500	29,465	5,035
Total Instruction	3,385,240	(161,022)	3,224,218	2,960,917	263,301

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Administration:					
Salaries - General Administration	\$ 509,315	\$ 216,913	\$ 726,228	\$ 707,793	\$ 18,435
Salaries of Secretarial/Clerical Assistants	123,980	44,000	167,980	155,737	12,243
Total Benefits Cost	821,100	5,736	826,836	740,551	86,285
Purchases Prof/Tech Services	165,250	75,850	241,100	241,064	36
Other Purchased Services	70,000	10,000	80,000	68,836	11,164
Supplies and Materials	60,000	7,500	67,500	64,896	2,604
Interest on Current Loans	5,500		5,500	1,514	3,986
Miscellaneous Expenses	30,500	(5,000)	25,500	24,771	729
Total Administration	1,785,645	354,999	2,140,644	2,005,162	135,482
Support Services:					
Salaries	807,411	(8,370)	799,041	623,061	175,980
Purchased Prof/Ed Services	15,000		15,000		15,000
Purchased Prof/Tech Services	2,000		2,000		2,000
Rental of Land and Buildings	986,000	326,640	1,312,640	1,312,640	-
Other Purchased Services	191,600	(43,378)	148,222	118,444	29,778
Insurance for Property, Liability and Fidelity	48,500		48,500	34,548	13,952
Supplies and Materials	38,500	7,499	45,999	41,022	4,977
Energy Costs (Heat and Electricity)	130,000		130,000	115,465	14,535
Miscellaneous Expenses		2,500	2,500	2,500	-
Total Support Services	2,219,011	284,891	2,503,902	2,247,680	256,222
Capital Outlay:					
Instructional Equipment		24,772	24,772	24,772	-
Miscellaneous Expenses	325,000	(325,000)	-		-
Total Capital Outlay	325,000	(300,228)	24,772	24,772	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)				143,849	(143,849)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				227,725	(227,725)
Total Expenditures	7,714,896	178,640	7,893,536	7,610,105	283,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(71,901)	(39,583)	(111,484)	545,555	657,039
FUND BALANCE, JULY 1	1,273,368	-	1,273,368	1,273,368	-
FUND BALANCE, JUNE 30	\$ 1,201,467	\$ (39,583)	\$ 1,161,884	\$ 1,818,923	\$ 657,039
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 1,201,467	\$ (39,583)	\$ 1,161,884	\$ 1,818,923	\$ 657,039
Total	\$ 1,201,467	\$ (39,583)	\$ 1,161,884	\$ 1,818,923	\$ 657,039

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ -	\$ 975,021	\$ 975,021	\$ 245,865	\$ (729,156)
Total Revenues	-	975,021	975,021	245,865	(729,156)
EXPENDITURES:					
Instruction:					
Salaries	-	226,377	226,377	8,063	218,314
Salaries of Teachers	-	23,000	23,000	20,826	2,174
Other Salaries for Instruction	-	3,450	3,450		3,450
Purchased Prof/Tech Services	-	148,699	148,699	53,155	95,544
Other Purchased Services	-	3,113	3,113	742	2,371
General Supplies	-	82,617	82,617	45,899	36,718
Other Objects	-	4,658	4,658	2,539	2,119
Total Instruction	-	491,914	491,914	131,224	360,690
Support Services:					
Salaries	-	146,644	146,644	68,271	78,373
Personal Services - Employee Benefits	-	83,179	83,179	24,305	58,874
Purchased Prof/Ed Services	-	28,407	28,407		28,407
Purchased Professional Services	-	105,757	105,757	5,775	99,982
Purchased Property Services	-	17,850	17,850	2,300	15,550
Other Purchased Services	-	58,038	58,038	8,712	49,326
Supplies and Materials	-	40,703	40,703	4,770	35,933
Miscellaneous Expenditures	-	508	508	508	-
Total Support Services	-	481,086	481,086	114,641	366,445
Facilities Acquisition and Construction Services:					
Instructional Equipment	-	2,021	2,021	-	2,021
Total Facilities Acquisition and Construction Services	-	2,021	2,021	-	2,021
Total Expenditures	-	975,021	975,021	245,865	729,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 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>
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 8,155,660	[C-2] \$ 245,865
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	<hr/>	<hr/> -
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>8,155,660</u>	[B-2] \$ <u>245,865</u>
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 7,610,105	[C-2] \$ 245,865
 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.	<hr/>	<hr/> -
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>7,610,105</u>	[B-2] \$ <u>245,865</u>

OTHER SUPPLEMENTAL INFORMATION

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

The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2010

	NCLB Title I	NCLB Title I Carryover	ARRA I.D.E.A. Part B	I.D.E.A. Part B	I.D.E.A. Part B Carryover
REVENUE SOURCES:					
Federal	\$ 62,407	\$ 64,188	\$ 5,970	\$ 79,302	\$ 22,941
Total Revenues	62,407	64,188	5,970	79,302	22,941
EXPENDITURES:					
Instruction:					
Salaries		125	5,938		
Salaries of Teachers	20,826				
Purchased Prof/Tech Services		33,315		10,121	9,719
Other Purchased Services			32	14,229	742
General Supplies	2,915	27,173			1,140
Other Objects	2,539				
Total Instruction	26,280	60,613	5,970	24,350	11,601
Support Services:					
Salaries	22,607			45,000	
Personal Services - Employee Benefits	5,206			9,000	8,699
Purchased Prof/Ed Services		2,000			
Other Purchased Prof/Tech Services	8,314				398
Other Purchased Services		1,575		952	2,243
Supplies and Materials					
Miscellaneous Expenditures					
Total Support Services	36,127	3,575	-	54,952	11,340
Total Expenditures	62,407	64,188	5,970	79,302	22,941
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2010

	NCLB Title II	NCLB Title II Carryover	NCLB Title IV	NCLB Title IV Carryover	Grand Total
REVENUE SOURCES:					
Federal	\$ 3,964	\$ 3,775	\$ 1,810	\$ 1,508	\$ 245,865
Total Revenues	3,964	3,775	1,810	1,508	245,865
EXPENDITURES:					
Instruction:					
Salaries					6,063
Salaries of Teachers	2,000				22,826
Purchased Prof/Tech Services					53,155
Other Purchased Services					742
General Supplies			410		45,899
Other Objects					2,539
Total Instruction	2,000	-	410	-	131,224
Support Services:					
Salaries	564		100		68,271
Personal Services - Employee Benefits	400			1,000	24,305
Purchased Prof/Ed Services	1,000	3,775			6,775
Other Purchased Prof/Tech Services			1,300		9,614
Other Purchased Services					398
Supplies and Materials					4,770
Miscellaneous Expenditures				508	508
Total Support Services	1,964	3,775	1,400	1,508	114,641
Total Expenditures	3,964	3,775	1,810	1,508	245,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUND
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 district’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – The fund provides for the operation of food services in all schools within the school district.

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets
 Trust Fund
 For the Fiscal Year Ended June 30, 2010

	Unemployment Compensation Insurance
ADDITIONS:	
Contributions	\$ 28,479
Total Additions	28,479
DEDUCTIONS:	
Payment of Claims	27,813
Miscellaneous Expense	4
Total Deductions	27,817
CHANGE IN NET ASSETS	662
NET ASSETS - BEGINNING OF THE YEAR	1,704
NET ASSETS - END OF THE YEAR	\$ 2,366

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
School Activities	\$ 14,140	\$ 80,337	\$ 73,832	\$ 20,645
Total	<u>\$ 14,140</u>	<u>\$ 80,337</u>	<u>\$ 73,832</u>	<u>\$ 20,645</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS:				
Cash and Cash Equivalents	\$ 105,634	\$ 1,682,170	\$ 1,682,170	\$ 105,634
Total Assets	<u>\$ 105,634</u>	<u>\$ 1,682,170</u>	<u>\$ 1,682,170</u>	<u>\$ 105,634</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 105,634	23,645	\$ 23,645	\$ 105,634
Payroll Deductions and Withholdings		<u>1,658,525</u>	<u>1,658,525</u>	<u>-</u>
Total Liabilities	<u>\$ 105,634</u>	<u>\$ 1,682,170</u>	<u>\$ 1,682,170</u>	<u>\$ 105,634</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

HRA Trust Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2010</u>
HRA Trust Account	\$ -	\$ 53,670	\$ 28,670	\$ 25,000
Total	<u>\$ -</u>	<u>\$ 53,670</u>	<u>\$ 28,670</u>	<u>\$ 25,000</u>

STATISTICAL SECTION (UNAUDITED)

Paterson Charter School for Science and Technology has been in operation for seven (7) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for seven (7) years are available and have 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 district 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, 2004; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Net Assets by Component
 Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2010	2009	2008	2007	2006	2005	2004
Governmental Activities							
Invested in capital assets, net of related debt	\$ 14,765	\$ 20,163	\$ 23,089	\$ 26,016	\$ 30,022	\$ -	\$ -
Restricted				-	1,855	-	32,531
Unrestricted	1,843,645	1,273,368	212,470	148,886	273,538	1,285	75,275
Total Governmental Activities Net Assets	<u>\$ 1,858,410</u>	<u>\$ 1,293,531</u>	<u>\$ 235,559</u>	<u>\$ 174,902</u>	<u>\$ 305,415</u>	<u>\$ 1,285</u>	<u>\$ 107,806</u>
Business-Type Activities							
Invested in capital assets, net of related debt	\$ 25,485	\$ 6,293	\$ 7,107	\$ 7,920	\$ 8,733	\$ -	\$ -
Unrestricted	69,578	23,212	4,352				
Total Business-Type Activities Net Assets	<u>\$ 95,063</u>	<u>\$ 29,505</u>	<u>\$ 11,459</u>	<u>\$ 7,920</u>	<u>\$ 8,733</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School-wide							
Invested in capital assets, net of related debt	\$ 40,250	\$ 26,456	\$ 30,196	\$ 33,936	\$ 38,755	\$ -	\$ -
Restricted				-	1,855	-	32,531
Unrestricted	1,913,223	1,296,580	216,822	148,886	273,538	1,285	75,275
Total Charter School-wide Net Assets	<u>\$ 1,953,473</u>	<u>\$ 1,323,036</u>	<u>\$ 247,018</u>	<u>\$ 182,822</u>	<u>\$ 314,148</u>	<u>\$ 1,285</u>	<u>\$ 107,806</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Changes in Net Assets
 Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2010	2009	2008	2007	2006	2005	2004
Expenses							
Governmental Activities:							
Instruction	\$ 3,802,801	\$ 3,530,643	\$ 3,097,642	\$ 2,282,461	\$ 1,610,191	\$ 819,446	\$ 823,113
Administration	1,479,913	1,151,129	919,035	885,638	587,560	356,746	346,355
Support Services	2,553,882	2,246,026	1,680,601	1,453,521	1,015,769	696,245	500,235
Capital Outlay	50	63,296				-	44,519
Total Governmental Activities Expenses	<u>7,836,646</u>	<u>6,991,094</u>	<u>5,697,278</u>	<u>4,621,620</u>	<u>3,213,520</u>	<u>1,872,437</u>	<u>1,714,222</u>
Business-Type Activities:							
Food Service	209,060	160,911	155,230	176,375	112,451	48,258	34,892
Total Business-Type Activities Expenses	<u>209,060</u>	<u>160,911</u>	<u>155,230</u>	<u>176,375</u>	<u>112,451</u>	<u>48,258</u>	<u>34,892</u>
Total Charter School Expenses	<u>\$ 8,045,706</u>	<u>\$ 7,152,005</u>	<u>\$ 5,852,508</u>	<u>\$ 4,797,995</u>	<u>\$ 3,325,971</u>	<u>\$ 1,920,695</u>	<u>\$ 1,749,114</u>
Program Revenues							
Governmental Activities:							
Operating Grants and Contributions	\$ 156,625	\$ 93,675	\$ 101,505	\$ 125,880	\$ 121,287	\$ 66,251	\$ -
Total Governmental Activities Expenses	<u>156,625</u>	<u>93,675</u>	<u>101,505</u>	<u>125,880</u>	<u>121,287</u>	<u>66,251</u>	<u>-</u>
Business-Type Activities:							
Charges for Services	\$ 53,469	\$ 19,636	\$ 17,321	\$ 16,685	\$ 2,974	\$ 930	\$ -
Operating Grants and Contributions	209,891	155,357	125,104	123,381	82,523	39,873	23,253
Total Business-Type Activities Expenses	<u>263,360</u>	<u>174,993</u>	<u>142,425</u>	<u>140,066</u>	<u>85,497</u>	<u>40,803</u>	<u>23,253</u>
Total Charter School Program Revenues	<u>\$ 419,985</u>	<u>\$ 268,668</u>	<u>\$ 243,930</u>	<u>\$ 265,946</u>	<u>\$ 206,784</u>	<u>\$ 107,054</u>	<u>\$ 23,253</u>
Net (Expense)/Revenue							
Governmental Activities	\$ (7,680,021)	\$ (6,897,419)	\$ (5,595,773)	\$ (4,495,740)	\$ (3,092,233)	\$ (1,806,186)	\$ (1,714,222)
Business-Type Activities	54,300	14,082	(12,805)	(36,309)	(26,954)	(7,455)	(11,639)
Total Charter School-wide Net Expense	<u>\$ (7,625,721)</u>	<u>\$ (6,883,337)</u>	<u>\$ (5,608,578)</u>	<u>\$ (4,532,049)</u>	<u>\$ (3,119,187)</u>	<u>\$ (1,813,641)</u>	<u>\$ (1,725,861)</u>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
General Purposes	\$ -	\$ -	\$ 1,284,588	\$ 799,123	\$ 529,677	\$ 214,950	\$ 253,906
Federal and State Aid Not Restricted	8,242,866	7,942,844	4,353,301	3,550,190	2,807,355	1,466,771	1,525,543
Tuition Revenue						360	
Investment Earnings	1,798						
Miscellaneous Income	236	10,518	18,541	15,914	37,881	17,584	99,274
Total Governmental Activities	<u>8,244,900</u>	<u>7,953,362</u>	<u>5,656,430</u>	<u>4,365,227</u>	<u>3,374,913</u>	<u>1,699,665</u>	<u>1,878,723</u>
Business-Type Activities:							
Miscellaneous Income	\$ 11,258	\$ 3,964	\$ 16,344	\$ 35,496	\$ 26,141	\$ 7,455	\$ 11,639
Total Business-Type Activities	<u>11,258</u>	<u>3,964</u>	<u>16,344</u>	<u>35,496</u>	<u>26,141</u>	<u>7,455</u>	<u>11,639</u>
Total Charter School-wide	<u>\$ 8,256,158</u>	<u>\$ 7,957,326</u>	<u>\$ 5,672,774</u>	<u>\$ 4,400,723</u>	<u>\$ 3,401,054</u>	<u>\$ 1,707,120</u>	<u>\$ 1,890,362</u>
Change in Net Assets							
Governmental Activities	\$ 564,879	\$ 1,055,943	\$ 60,657	\$ (130,513)	\$ 282,680	\$ (106,521)	\$ 164,501
Business-Type Activities	65,558	18,046	3,539	(813)	(813)	-	-
Total Charter School	<u>\$ 630,437</u>	<u>\$ 1,073,989</u>	<u>\$ 64,196</u>	<u>\$ (131,326)</u>	<u>\$ 281,867</u>	<u>\$ (106,521)</u>	<u>\$ 164,501</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fund Balances - Governmental Funds
 Last Seven Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2010	2009	2008	2007	2006	2005	2004
General Fund							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1,855	\$ -	\$ 32,531
Unreserved	1,818,923	1,239,037	212,470	148,886	273,538	1,285	75,275
Total General Fund	\$ 1,818,923	\$ 1,239,037	\$ 212,470	\$ 148,886	\$ 275,393	\$ 1,285	\$ 107,806

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Changes in Fund Balances - Governmental Funds
 Last Seven Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local Sources:							
Local Tax Levy	\$ 887,692	\$ 859,164	\$ 1,284,588	\$ 799,123	\$ 529,677	\$ 214,950	\$ 253,906
Tuition					-		-
Interest In Investments	1,798	2,029					-
Miscellaneous	236	10,518	18,541	15,914	37,881	17,584	99,274
State Sources	7,265,934	6,790,411	4,028,567	3,371,879	2,710,387	1,294,206	1,454,659
Federal Sources	245,865	386,944	426,239	304,191	218,255	238,816	70,884
Total Revenues	<u>8,401,525</u>	<u>8,049,066</u>	<u>5,757,935</u>	<u>4,491,107</u>	<u>3,496,200</u>	<u>1,765,556</u>	<u>1,878,723</u>
Expenditures:							
Instruction	3,092,141	3,052,805	2,675,880	1,975,147	1,403,521	692,877	750,654
Administration	2,376,736	1,813,907	1,443,550	1,279,968	869,330	546,711	429,601
Support Services	2,362,321	2,092,491	1,574,921	1,362,499	949,241	632,849	489,448
Capital Outlay	24,772	63,296	-	-	-	-	44,519
Total Expenditures	<u>7,855,970</u>	<u>7,022,499</u>	<u>5,694,351</u>	<u>4,617,614</u>	<u>3,222,092</u>	<u>1,872,437</u>	<u>1,714,222</u>
Net Change in Fund Balance	<u>\$ 545,555</u>	<u>\$ 1,026,567</u>	<u>\$ 63,584</u>	<u>\$ (126,507)</u>	<u>\$ 274,108</u>	<u>\$ (106,881)</u>	<u>\$ 164,501</u>

Source: Charter School records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 General Fund - Other Local Revenue by Source
 Last Seven Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	After School Tutoring	Donations	Investment Earnings	Miscellaneous Revenue	Annual Total
2010	\$ -	\$ -	\$ 1,798	\$ 236	\$ 2,034
2009				10,518	10,518
2008				18,541	18,541
2007				15,914	15,914
2006		6,584		31,297	37,881
2005	360	7,800		9,784	17,944
2004		99,274			99,274

Source: Charter School records

OPERATING INFORMATION

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Full-Time Equivalent Charter School Employees by Function
 Last Seven Fiscal Years

Function	2010	2009	2008	2007	2006	2005	2004
Instruction	48	45	39	35	28	19	19
Administrative	4	5	7	9	7	4	4
Support Services	36	31	17	12	7	6	6
Food Service	1	1	1	1	1	1	1
Total	89	82	64	57	43	30	30

Source: Charter School Personnel Records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Operating Statistics
 Last Seven Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2010	565	\$ 7,831,198	\$ 13,861	13.13%	48			565	545	-0.53%	0.00%	
2009	568	6,959,203	12,252	6.08%	45	1:12		568	545	13.20%	95.95%	
2008	493	5,694,351	11,550	2.06%	39	1:12		493	454	17.24%	92.09%	
2007	408	4,617,614	11,318	15.91%	35	1:12		408	408	19.85%	100.00%	
2006	330	3,222,092	9,764	-18.65%	28	1:12		327	293	52.29%	89.60%	
2005	156	1,872,437	12,003	12.14%	19	1:8		156	142	0.00%	91.03%	
2004	156	1,669,703	10,703	0.00%	19	1:8		156	142	0.00%	91.03%	

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 School Building Information
 Last Seven Fiscal Years

	2010	2009	2008	2007	2006	2005	2004
<u>Charter School Building</u>							
<u>High School/Middle School</u>							
Square Feet	66,213	66,213	66,213	66,213	50,000	11,000	11,000
Capacity (students)	588	588	504	420	336	180	180
Enrollment	561	568	493	408	330	156	156

Number of Schools at June 30, 2010
 High School/Middle School = 1

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of additions.
 Enrollment is based on the annual final Charter School count.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Insurance Schedule
June 30, 2010

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
"ALL Risk"	\$725,000	Business Personal Property w/ \$1,000 Deductible
	\$2,500	Deductible
	\$100,000	Business Income and Extra Expense
	\$200,000	EDP Equipment and Media
	\$1,000	Deductible
	\$25,000	Pollutant Cleanup and Removal
	\$25,000	Fire Department Service Charge
	\$10,000	Property of Others
	\$50,000	Valuable Papers
	\$15,000	Emergency Vacating Expense
	\$2,500	Identity Theft Expense
	\$1,000	Terrorist Travel Reimbursement
	\$250	Temporary Meeting Space Reimbursement
	\$1,000	Workplace Violence Counseling
	\$1,000	Kidnap/Ransom
	\$2,500	Lease Cancellation Moving Expenses
	\$25,000	Accounts Receivable
\$1,000	Fire Extinguisher Recharge	
\$1,000	Lock Replacement	
\$5,000	Reward Reimbursement	
\$50,000	Property in Transit	
General Liability	\$1,000,000	Each Occurrence Limit
	\$2,000,000	General Aggregate Per Job
	\$2,000,000	Products/Completed Operations Aggregate Per Job
	\$1,000,000	Personal Injury and Advertising Injury
	\$1,000,000	Each Occurrence
	\$500,000	Abuse and Molestation - Per Person
	\$1,000,000	Abuse and Molestation - Aggregate Per Policy Period
	\$100,000	Fire Legal Liability (Any One Fire)
	\$1,000	Each Occurrence for Personal Injury/Advertising Injury
	\$5,000	Medical Expense (Any One Person)
Automobile Liability	\$1,000,000	Combined Single Limit Per Occurrence for Bodily Injury and Property Damage for Hired/Non Owned Automobiles
Employee Benefits Liability	\$1,000,000	Each Occurrence
Directors and Officers Liability	\$1,000,000	Each Occurrence
	\$1,000	Retention (Deductible)

Source: Charter School's Records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Insurance Schedule
June 30, 2010

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
Employment Practices Liability	\$1,000,000 \$5,000	Each Occurrence Retention (Deductible)
Umbrella	\$2,000,000 \$10,000	Each Occurrence Retention (Deductible)
Crime	\$167,000 \$1,000 \$5,000 \$500	Employee Theft Deductible Forgery or Alteration Deductible
Student Accident	\$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000	School Time Interscholastic Football 9-12 Field Trips Motor Vehicles All Interscholastic Sports

Source: Charter School's Records

SINGLE AUDIT SECTION

BARRE & COMPANY
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**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
Paterson Charter School for Science and Technology
County of Passaic
Paterson, New Jersey

We have audited the financial statements of the Board of Trustees of Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

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

The *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, 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 weaknesses. 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 Paterson Charter School for Science and Technology 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, Paterson Charter School for Science and Technology 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

September 17, 2010

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

Honorable President and
Members of the Board of Trustees
Paterson Charter School for Science and Technology
County of Passaic
Paterson, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2010. The Paterson Charter School for Science and Technology Board of Trustees major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Paterson Charter School for Science and Technology Board of Trustees' management. Our responsibility is to express an opinion on Paterson Charter School for Science and Technology 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*. Those standards, New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis,

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evidence about the Paterson Charter School for Science and Technology 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 the Paterson Charter School for Science and Technology Board of Trustees' compliance with those requirements.

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

Internal Control over Compliance

Management of the Board of Trustees of the Paterson Charter School for Science and Technology is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Paterson Charter School for Science and Technology Board Trustees' internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Paterson Charter School for Science and Technology 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 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 non compliance with a type of compliance requirement of a 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 that might be 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. The Paterson Charter School for Science and Technology 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 the Paterson Charter School for Science and Technology Board of Trustees response and, accordingly, we express no opinion on response.

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

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

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

September 17, 2010

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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		Balance at June 30, 2009	Prior Year Deferred Revenue	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2010	
				From	To								Accounts Receivable	Deferred Revenue
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
Title I Part A	84.010	NCLB750310	\$ 452,131	9/1/09	8/31/10	\$ -	\$ -	\$ -	\$ (62,407)	\$ -	\$ -	\$ -	\$ (62,407)	\$ -
Title I Part A Carryover	84.010	NCLB750309	397,096	9/1/08	8/31/09	(100,490)	-	80,767	(64,188)	-	-	-	(83,911)	-
Title I Part A Carryover	84.010	NCLB750308	281,078	9/1/07	8/31/08	2,677	-	-	-	-	-	-	-	2,677
Title II Part A	84.367	NCLB750310	11,289	9/1/09	8/31/10	(1,651)	-	1,651	(2,964)	-	-	-	(2,964)	-
Title II Part A Carryover	84.367	NCLB750309	12,372	9/1/08	8/31/09	11,011	-	-	(3,775)	-	-	-	(3,775)	11,011
Title II Part A Carryover	84.367	NCLB750308	11,011	9/1/07	8/31/08	-	-	-	(1,000)	-	-	-	(1,000)	-
Title II Part D	84.318	NCLB750310	4,421	9/1/09	8/31/10	(1,394)	-	1,394	(1,810)	-	-	-	(1,810)	-
Title II Part D Carryover	84.318	NCLB750309	3,336	9/1/08	8/31/09	484	-	-	(1,508)	-	-	-	(1,508)	484
Title II Part D Carryover	84.318	NCLB750308	1,936	9/1/07	8/31/08	-	-	-	-	-	-	-	-	-
Title IV	84.186	NCLB750310	5,908	9/1/09	8/31/10	(686)	-	686	(1,508)	-	-	-	(1,508)	-
Title IV Carryover	84.186	NCLB750309	5,620	9/1/08	8/31/09	422	-	-	-	-	-	-	-	422
Title IV Carryover	84.186	NCLB750308	5,620	9/1/07	8/31/08	292	-	-	-	-	-	-	-	292
Title V Carryover	84.298	NCLB750308	1,462	9/1/07	8/31/08	-	-	-	(79,302)	-	-	-	(79,302)	-
I.D.E.A. Part B Basic	84.027	IDEA750310	107,595	9/1/09	8/31/10	(13,322)	-	13,961	(22,941)	-	-	-	(22,941)	-
I.D.E.A. Part B Basic Carryover	84.027	IDEA750309	97,667	9/1/08	8/31/09	-	-	5,938	(5,970)	-	-	-	(32)	-
ARRA - I.D.E.A. Part B	84.391	IDEA750310	166,830	7/1/09	8/31/11	(102,657)	-	169,883	(245,865)	-	-	-	(193,525)	14,886
Total Special Revenue Fund														
U.S. Department of Agriculture														
Passed-through State Department of Education														
Enterprise Fund:														
National School Breakfast Program	10.553	N/A	21,269	7/1/09	6/30/10	-	-	-	(21,269)	-	-	-	(2,318)	-
National School Breakfast Program Carryover	10.553	N/A	17,240	7/1/08	6/30/09	(1,395)	-	18,951	-	-	-	-	-	-
National School Lunch Program	10.555	N/A	152,147	7/1/08	6/30/09	(10,071)	-	138,873	(152,147)	-	-	-	(13,274)	-
National School Lunch Program Carryover	10.555	N/A	127,981	7/1/08	6/30/09	-	-	10,071	-	-	-	-	-	-
National School Snack Program	10.558	N/A	12,437	7/1/09	6/30/10	(484)	-	12,020	(12,438)	-	-	-	(418)	-
National School Snack Program Carryover	10.558	N/A	3,792	7/1/08	6/30/09	-	-	484	-	-	-	-	-	-
ARRA - National School Lunch Prog Equip	10.579	N/A	16,537	7/1/09	6/30/10	(11,950)	-	198,331	(202,391)	-	-	-	(16,010)	-
Total Enterprise Fund														
Sub-Total Federal Financial Awards						\$ (114,607)	\$ -	\$ -	\$ (448,256)	\$ -	\$ -	\$ -	\$ (209,535)	\$ 14,886

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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 From To	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	Balance at June 30, 2010			MEMO
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/(Walkover) Amount				(Accounts Receivable)	Deferred Revenue/Interfund Payable	Due to Grantor	
State Department of Education:													
General Fund:													
"Local Levy" State Share - Charter School Ak	10-495-034-5120-071	\$6,529,051	7/1/09	6/30/10	\$ -	\$ -	\$6,529,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,529,051
Special Education Aid	10-495-034-5120-089	156,625	7/1/09	6/30/10	-	-	156,625	(156,625)	-	-	-	-	156,625
Security Aid	10-495-034-5120-084	208,684	7/1/09	6/30/10	-	-	208,684	(208,684)	-	-	-	-	208,684
On Behalf TPAF Pension Contributions	10-495-034-5095-006	143,849	7/1/09	6/30/10	-	-	143,849	(143,849)	-	-	-	-	143,849
Reimbursed TPAF - Social Security	10-495-034-5095-002	227,725	7/1/09	6/30/10	(10)	-	227,725	(227,725)	-	-	-	-	227,725
Reimbursed TPAF - Social Security	09-495-034-5095-002	213,088	7/1/08	6/30/09	-	-	10	-	-	-	-	-	227,725
Total General Fund					(10)	-	7,265,944	(7,265,934)	-	-	-	-	7,265,934
State Department of Agriculture													
Enterprise Fund:													
National Breakfast Program (State Share)	10-100-010-3350-021	1,349	7/1/09	6/30/10	-	-	1,205	(1,349)	-	(144)	-	-	1,349
National Breakfast Program (State Share)	09-100-010-3350-021	1,096	7/1/08	6/30/09	(87)	-	87	-	-	-	-	-	1,009
National School Lunch Program (State Share)	10-100-010-3350-023	6,151	7/1/09	6/30/10	-	-	5,624	(6,151)	-	(527)	-	-	6,151
National School Lunch Program (State Share)	09-100-010-3350-023	5,249	7/1/08	6/30/09	(408)	-	408	-	-	-	-	-	4,841
Total Enterprise Fund					(495)	-	7,324	(7,500)	-	(671)	-	-	7,500
Total State Financial Assistance					(505)	-	\$7,273,268	\$ (7,273,434)	\$ -	(671)	\$ -	\$ -	\$ 7,273,434

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

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, Paterson Charter School for Science and Technology. 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

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	\$ -	\$ 7,265,934	\$ 7,265,934
Special Revenue Fund	245,865		245,865
Food Service Fund	185,854	7,500	193,354
Total Awards & Financial Assistance	<u>\$ 431,719</u>	<u>\$ 7,273,434</u>	<u>\$ 7,705,153</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 LOANS OUTSTANDING

Paterson Charter School for Science and Technology 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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
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.