

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
LIBERTY ACADEMY CHARTER SCHOOL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**JUNE 30, 2011**  
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## Liberty Academy Charter School

211 Sherman Avenue

Jersey City, New Jersey 07307

(201) 217-6771 FAX - (201) 217-6772

*"Cultivating Excellence in Everything We Do"*

October 7, 2011

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the Liberty Academy Charter School for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first seven fiscal years. The school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** Liberty Academy Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

Liberty Academy Charter School provides a full range of services appropriate to Kindergarten-8. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2010-2011 school year with an enrollment of 267.2 students.

The following details the student enrollment of the Charter School:

**Average Daily Enrollment**

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Attendance Rate</u>
2010	267.2	
2009	267.6	95.50%
2008	303.9	95.43%
2007	332.6	95.31%
2006	360.5	96.81%
2005	379.0	95.25%
2004	384.4	95.73%

- 2) **ENROLLMENT OUTLOOK:** Liberty Academy began the 2010-11 school year with 230 students in grades K-8 and ended the year with 269 and a waiting list of 2. The student retention rate was 2%. The maximum enrollment is 306. The anticipated enrollment for the 2011-2011 school year is 306.
  
- 3) **MAJOR ACCOMPLISHMENTS** – Liberty Academy Charter School continued its low class size, an average of 17 students, and unique interdisciplinary humanities program. A full day kindergarten is provided to all students.
  
- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the 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 recognized that: (1) the cost of a control should not exceed the benefits like 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 School also is responsible for ensuring that an adequate 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 management.

As part of the 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 School has complied with applicable laws and regulations.

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by

the Board of Trustees and the State of New Jersey. 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2011.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1
- 7) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2011.

Revenue	Amount	Percent of Total
Local Sources	\$ 744,862	18%
State Sources	2,867,267	66%
Federal Sources	503,340	12%
Enterprise Revenues	<u>153,057</u>	<u>4%</u>
	<u>\$ 4,268,526</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2011.

Expenditures	Amount	Percent of Total
Current Expense	\$3,317,770	82%
Special Revenue	503,340	13%
Enterprise Fund	<u>206,425</u>	<u>5%</u>
	<u>\$ 4,027,535</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law

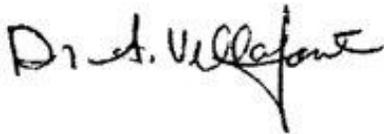
requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

- 9) **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

10) **OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by independent Certified Public Accountants (CPA) or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. 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 Amendments of 1996 and related OMB Circular A-122 and the state Treasury Circular letter 04–04 OMB. The auditor’s report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial statement of this report. The auditor’s reports related specifically to the single audit act are included in the single audit section of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Dr. Anna Villafane". The signature is written in a cursive style with a large, stylized 'V'.

Dr. Anna Villafane  
CEO

**LIBERTY ACADEMY CHARTER SCHOOL  
ROSTER OF TRUSTEES AND OFFICERS  
JUNE 30, 2011**

<b><u>BOARD OF TRUSTEES</u></b>	<b><u>TERM EXPIRES</u></b>
Ruben Alicea, Chairman, Voting	05/2013
Eliu Rivera, Vice Chairperson, Voting	05/2013
Tracey Haynes, Treasurer, Voting	06/2011
Israel Nieves, Secretary, Voting	05/2012
Frank Molino, Sgt. At Arms, Voting	05/2013
Chika Wosu, Board Member, Voting	06/2012
Michelle Sanchez, Board Member, Voting	06/2011
Dr. Anna Villafane, CEO, Non Voting	N/A
Dr. Michael Derczo, Principal, Non Voting	N/A
Hebert Logerie, Business Administrator, Non Voting	N/A

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Scott J. Loeffler, CPA  
7 Cleveland Street  
Caldwell, NJ 07006

**ATTORNEYS**

Vittorio S. LaPira, Esq.  
Fogarty and Hara  
16-00 Route 208 South  
Fairlawn, NJ 07140

**OFFICIAL DEPOSITORY**

The Provident Bank  
400 Main Blvd.  
Jersey City, NJ 07302

## **FINANCIAL SECTION**

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CERTIFIED PUBLIC ACCOUNTANT  
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**UNQUALIFIED OPINION ON BASIC FINANCIAL  
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY  
INFORMATION AND SUPPLEMENTARY SCHEDULE OF  
FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION -  
GOVERNMENT ENTITY**

**Independent Auditor's Report**

The Honorable Chairman and  
Members of the Board of Trustees  
Liberty Academy Charter School  
County of Hudson  
Jersey City, New Jersey

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Trustees of the Liberty Academy Charter School, County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustees' management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. I believe that my audit provides reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Liberty Academy Charter School, Board of Trustees, in the County of Hudson, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 7, 2011 on my consideration of the Liberty Academy Charter School, in the County of Hudson, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of my audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison schedules on pages 9 through 19 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

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

Licensed Public School Accountant No. 870

A handwritten signature in cursive script that reads "Scott J. Loeffler CPA". The signature is written in black ink and is positioned above the printed name.

Scott J. Loeffler, CPA

October 7, 2011

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

This section of Liberty Academy Charter School annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard 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 (2010-11) and the prior year (2009-10) is required to be presented in the MD&A. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, and that Statement permits the omission of prior year data in the year of implementation. The Liberty Academy Charter School has elected not to prepare comparative data due to the cost of adjusting prior year's financial statements to the new reporting model.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2010-11 fiscal year include the following:

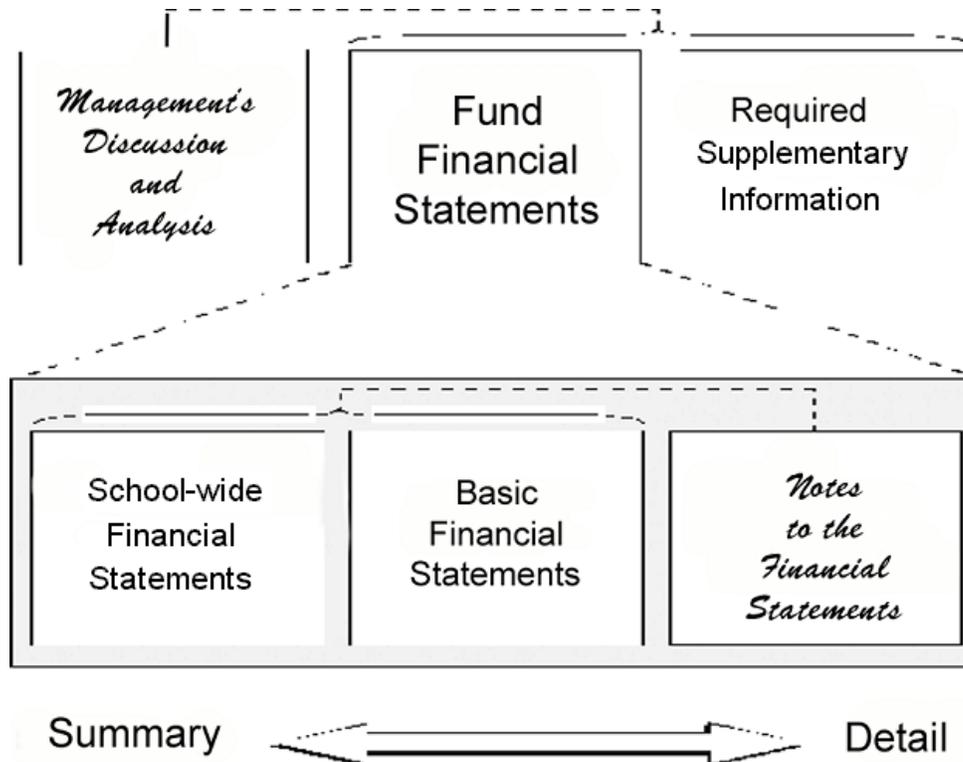
- Net assets were \$865,912.
- Net Assets increased by \$240,991 from July 1, 2010 to June 30, 2011.
- The General Fund balance at June 30, 2011 is \$822,636, an increase of \$294,359 when compared with the beginning balance at July 1, 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Liberty Academy Charter School.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

**Figure A-1. Required Components of the Board's Annual Financial Report**



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Liberty Academy Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Liberty Academy Charter School, reporting the Liberty Academy Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements provide financial information about the after school program activities the Liberty Academy Charter School operates like businesses.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Liberty Academy Charter School's financial statements, including the portion of the Liberty Academy Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2 - Major Features of the School-wide and Financial Statements**

	<b><u>School-wide Statements</u></b>	<b><u>Fund Financial Statements</u></b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire school (except fiduciary funds)	The activities of the Liberty Academy Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Liberty Academy Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statements of net assets	Balance sheet	Statement of net assets
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

**School-wide Statements**

The school-wide statements report information about the Liberty Academy Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Liberty Academy Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Liberty Academy Charter School's net assets and how they have changed. Net assets – the difference between the Liberty Academy Charter School's assets and liabilities – are one way to measure the Liberty Academy Charter School's financial health or position.

In the school-wide financial statements, the Liberty Academy Charter School's activities are shown in two categories:

- *Governmental activities*- Most of the Liberty Academy Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aids finance most of these activities.
- *Business-type activities*- The Liberty Academy Charter School's after school program fund is included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Liberty Academy Charter School's funds – focusing on its most significant or “major” funds – not the Liberty Academy Charter School as a whole.

Funds are accounting devices the Liberty Academy Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

The Liberty Academy Charter School use other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is property using certain revenues (e.g., federal funds).

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

The Liberty Academy Charter School has three kinds of funds:

- **Governmental funds-** Most of the Liberty Academy Charter School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Liberty Academy Charter School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Liberty Academy Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The Liberty Academy Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The Liberty Academy Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Liberty Academy Charter School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. I exclude these activities from the Liberty Academy Charter School's government-wide financial statements because the Liberty Academy Charter School cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE LIBERTY ACADEMY CHARTER SCHOOL AS A WHOLE**

**Net assets.** The Liberty Academy Charter School's net assets are \$865,912 on June 30, 2011. (See Table A-1).

Governmental	\$822,636
Enterprise Fund	<u>43,276</u>
Total	<u>\$865,912</u>

The Statement of Net Assets of \$417,181 reflects total capital assets at net of assumed depreciation from inception of \$417,181.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

The Liberty Academy Charter School's financial position is the product of these factors:

- General Fund Revenues during the 2010-11 school year were \$3,509,697.
- General Fund Expenditures were \$3,255,730.

**Table A-1**  
**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Net Assets**  
**As of June 30, 2011**

	<u><b>Total</b></u>
Current and Other Assets	1,089,759
Capital Assets (Including Business Activities)	0
<b>Total Assets</b>	<u><b>\$1,089,759</b></u>
Long-Term Liabilities	-
Other Liabilities	223,847
<b>Total Liabilities</b>	<u><b>\$223,847</b></u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	0
Unrestricted Enterprise Fund	
General Fund	865,912
<b>Total Net Assets</b>	<u><u><b>\$865,912</b></u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net assets of \$865,912 on June 30, 2011.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management’s Discussion and Analysis**  
**Year Ended June 30, 2011**

**Table A-2**  
**LIBERTY ACADEMY CHARTER SCHOOL**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2011**

<u>Revenues</u>	<u>Total</u>
Program revenues	
Charges for services	40,464
Operating grants and contributions	
General revenues	
Local Share	744,037
Federal and State Aid-Unrestricted	2,347,434
Federal and State Aid-Restricted	1,023,173
Enterprise Fund	113,418
Miscellaneous Revenue	0
Decrease in Net Capital Outlay	-
<b>Total revenues</b>	<b>\$ 4,268,526</b>
<b>Expenses</b>	
Regular Instruction	1,573,370
General Administrative	1,109,268
School Administrative	921,835
On-behalf TPAF Social Security	216,637
Capital Outlay	0
Enterprise Fund	206,425
<b>Total expenses</b>	<b>\$ 4,027,535</b>
Increase (Decrease) in net assets	240,991
Net Assets, Beginning July 1	624,921
Net Assets, End of Year June 30	<b>\$ 865,912</b>

**Changes in Net Assets.** The Liberty Academy Charter School’s total revenues were \$4,166,094. Local shares of \$744,037 represented 18% of revenues. The state aid of \$2,764,835 represented 66% of revenues. The federal aid of \$503,340 represented 12%. The enterprise fund of \$153,057 represented 3%.

The smallest component of revenues is “Other Revenue.” The “Other Revenue” for 2011 is \$825 represented 1% of revenues.

**LIBERTY ACADEMY CHARTER SCHOOL  
Management's Discussion and Analysis  
Year Ended June 30, 2011**

Table A-3 (See Exhibit A-2)  
**LIBERTY ACADEMY CHARTER SCHOOL**  
Changes in Net Assets - School Wide  
For the Fiscal Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>Governmental Activities</b>			
Instruction			
Regular	B-2	1,573,370	1,573,370
<b>Support Services</b>			
General Administrative Services	B-2	1,109,268	1,109,268
School Administrative Services	B-2	921,835	921,835
On-behalf TPAF Social Security	B-2	216,637	216,637
Capital Outlay	B-2	-	-
Food Service		206,425	206,425
<b>Total Governmental Activities</b>		<u>\$ 4,027,535</u>	<u>\$ 4,027,535</u>

**FINANCIAL ANALYSIS OF THE LIBERTY ACADEMY CHARTER SCHOOL'S FUNDS**

The financial performance of the Liberty Academy Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Liberty Academy Charter School completed the year, its general funds reported a combined fund balance of \$822,636.

**GENERAL FUND**

The General Fund includes the primary operations of the Liberty Academy Charter School in providing educational services to students from grade K through grade 8.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

The following schedule presents a summary of Government Revenues. The summary reflects the dollar and percent increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)  
**LIBERTY ACADEMY CHARTER SCHOOL**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2011 and 2010**

<b>General Fund Revenues</b>	<b>Year Ended June 30, 2011</b>	<b>Year Ended June 30, 2010</b>	<b>Amount of Increase (Decrease)</b>
<b>Local Sources:</b>			
Local Share	744,037	633,358	110,679
Other Local Revenue	40,464	40,020	444
Total Local Sources	<u>\$ 784,501</u>	<u>\$ 673,378</u>	<u>\$ 111,123</u>
<b>Intergovernmental</b>			
State Sources	2,867,267	2,890,301	(23,034)
Federal Sources	503,340	413,099	
Enterprise Federal and State Aid	113,418	121,732	(8,314)
Total Intergovernmental Sources	<u>\$ 3,484,025</u>	<u>\$ 3,425,132</u>	<u>\$ 58,893</u>
<b>Total Revenue</b>	<u><u>\$ 4,268,526</u></u>	<u><u>\$ 4,098,510</u></u>	<u><u>\$ 170,016</u></u>

The following schedule presents a summary of Governmental expenditures. The summary reflects the dollar and percent increases (decreases) from the prior year.

Table A-5 (See Exhibit B-2)  
**LIBERTY ACADEMY CHARTER SCHOOL**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2011 and 2010**

<b>General Fund Expenditures</b>	<b>Year Ended 06/30/2011</b>	<b>Year Ended 06/30/2010</b>	<b>Amount of Increase (Decrease)</b>
<b>Current:</b>			
Regular Instruction	1,573,370	1,828,717	(255,347)
General Administrative Services	1,109,268	1,213,303	(104,035)
School Administration	921,835	980,034	(58,199)
On-behalf TPAF Social Security	216,637	109,378	107,259
Capital outlay	-	-	-
Enterprise Fund	206,425	181,167	25,258
<b>Total Expenditures</b>	<u><u>\$ 4,027,535</u></u>	<u><u>\$ 4,312,599</u></u>	<u><u>\$ (285,064)</u></u>

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

**UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES**

The following table shows the General Fund unreserved-undesignated fund balance.

Table A-6  
**LIBERTY ACADEMY CHARTER SCHOOL**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2011**

<b>General Fund</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Unreserved-Undesignated Fund Balance	865,912	528,277	722,951	802,737	827,270	918,010
Expenditures	3,965,495	3,718,333	3,874,379	4,264,761	4,070,887	4,506,855
Percentage	22%	14%	19%	19%	20%	20%

The Liberty Academy Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designed to support the subsequent years budgets \$493,431 for the 2010-11 school year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2011, in the General Fund, the Liberty Academy Charter School had invested \$417,181 in a broad range of capital assets, including computer and audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expenses for the year was \$17,300.

Table A-7  
**LIBERTY ACADEMY CHARTER SCHOOL**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2011**

Facilities Improvement	214,539
Equipment	202,642
<b>Total - General Fund</b>	<b>\$417,181</b>
Less: Accumulated Depreciation	(417,181)
<b>Total - Net Capital Assets General Fund</b>	<b>\$0</b>

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

**State Aid**—As part of the “time-out” decision of the Supreme Court, the NJDOE was granted permission for level spending for the 2010-11 school year. The practical implication of this ruling is that the Liberty Academy Charter School 2010-11 budget cannot be greater than its kindergarten through grade 8 expenditures in the 2010-11 school year. The financial position of the State of New Jersey will likely result in continued level state aid for the 2010-11 school year. The school is likely to feel financial pressures related to contractual obligations that will put pressure on the school programs, inclusive of staffing levels.

**No Child Left Behind (NCLB)**—The integration of the requirements of this federal legislation needs to be integrated in a way that eliminates duplication. The challenge before the State of New Jersey is development of a single, seamless process of assessment, planning, implementation, and evaluation that satisfies both State and federal authorities.

**CONTACTING THE LIBERTY ACADEMY CHARTER SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Liberty Academy Charter School's finances and to demonstrate the Liberty Academy Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Liberty Academy Charter School, 211 Sherman Avenue, Jersey City, NJ 07307.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the Liberty Academy Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2011.

## **SCHOOL-WIDE FINANCIAL STATEMENTS**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 813,009	\$ 57,507	\$ 870,516
Investments	-	-	-
Receivables, net	158,394	6,161	164,555
Interfund Receivable	19,688		19,688
Rent Security	35,000	-	35,000
Restricted assets:			
Cash and cash equivalents	-	-	-
Capital reserve account - cash	-	-	-
Capital assets, net (Note 2):	0	-	-
Total Assets	<u>1,026,091</u>	<u>63,668</u>	<u>1,089,759</u>
<b>LIABILITIES</b>			
Cash Overdraft			-
Accounts payable	60,614	704	61,318
Due to Districts		-	-
Due to School Districts	78,002	-	78,002
Payable to federal government	49,216	-	49,216
Interfund Payable		19,688	19,688
Payable to state government	12,398	-	12,398
Deferred revenue	3,225	-	3,225
Noncurrent liabilities (Note 3):			
Due within one year		-	-
Due beyond one year	-	-	-
Total liabilities	<u>203,455</u>	<u>20,392</u>	<u>223,847</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpendable	-	-	-
Other purposes	-	-	-
Unrestricted	822,636	43,276	865,912
Total net assets	<u>\$ 822,636</u>	<u>\$ 43,276</u>	<u>\$ 865,912</u>

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

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Changes in Net Assets</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental activities:							
Instruction:							
Regular	\$ (1,573,370)	\$ -	\$ (334,336)	\$ -	(1,239,034)	\$ -	\$ (1,239,034)
Support services:							
General administratiron	(1,109,268)	-	(169,004)	-	(940,264)	-	(940,264)
School administrative services/ operations plant serv.	(921,835)	-	-	-	(921,835)	-	(921,835)
On - behalf TPAF Social Security	(216,637)	-	-	-	(216,637)	-	(216,637)
Capital Outlay	-	-	-	-	-	-	-
Total governmental activities	<u>(3,821,110)</u>	<u>-</u>	<u>(503,340)</u>	<u>-</u>	<u>(3,317,770)</u>	<u>-</u>	<u>(3,317,770)</u>
Business-type activities:							
Food Service and After Care	-	(206,425)	-	-		(206,425)	(206,425)
Total business-type activities	<u>-</u>	<u>(206,425)</u>	<u>-</u>	<u>-</u>		<u>(206,425)</u>	<u>(206,425)</u>
Total primary government	<u>\$ (3,821,110)</u>	<u>\$ 0</u>	<u>\$ (503,340)</u>	<u>\$ -</u>	<u>\$ (3,317,770)</u>	<u>\$ (206,425)</u>	<u>\$ (3,524,195)</u>
General revenues:							
					744,037		744,037
					2,347,434	1,911	2,349,345
						111,507	111,507
					519,833		519,833
					825	39,639	40,464
						0	-
Total general revenues, special items, extraordinary					<u>3,612,129</u>	<u>153,057</u>	<u>3,765,186</u>
Change in Net Assets					294,359	(53,368)	240,991
Net Assets—beginning					528,277	96,644	624,921
Net Assets—ending					<u>\$ 822,636</u>	<u>\$ 43,276</u>	<u>\$ 865,912</u>

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

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Agency Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$744,631	\$68,378			\$813,009
Investments					
Receivables, net	6,334	152,060			158,394
Interfund Receivable	187,685				187,685
Rent Security	35,000				35,000
Restricted cash and cash equivalents					0
Total assets	<u>\$ 973,650</u>	<u>\$ 220,438</u>			<u>\$ 1,194,088</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					0
Cash Overdraft			-		0
Accounts payable	60,614	-			60,614
Due to School Districts	78,002				78,002
Payable to federal government	-	49,216			49,216
Interfund Payables		167,997			167,997
Payable to state government	12,398				12,398
Deferred revenue	-	3,225			3,225
Total liabilities	<u>151,014</u>	<u>220,438</u>	<u>-</u>		<u>371,452</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	822,636				822,636
Capital projects fund					
Permanent fund					
Total Fund balances	<u>822,636</u>				<u>822,636</u>
Total liabilities and fund balances	<u>\$ 973,650</u>	<u>\$ 220,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 822,636</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$ 417,181 and the accumulated depreciation is (\$417,181)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)

Net assets of governmental activities	\$ 822,636
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local sources:					
Local share	\$ 744,037	\$ -	\$ -		\$ 744,037
State Share	2,245,002	-	-	-	2,245,002
Other Restricted Miscellaneous Revenues	825				825
Philanthropic Support	-	-		-	-
Total - Local Sources	<u>2,989,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,989,864</u>
State sources	622,265			-	622,265
Federal sources	-	503,340	-	-	503,340
Total revenues	<u>3,612,129</u>	<u>503,340</u>	<u>-</u>	<u>-</u>	<u>4,115,469</u>
<b>EXPENDITURES</b>					
Current:					
Regular instruction	\$ 1,239,034	\$ 334,336	\$ -	\$ -	\$ 1,573,370
Support services- General Administrative	940,264	169,004	-	-	1,109,268
Support Services- School Admin/ operations plant se	921,835				921,835
On-behalf TPAF Social Security	216,637				216,637
Capital outlay	-			-	-
Total expenditures	<u>3,317,770</u>	<u>503,340</u>	<u>-</u>	<u>-</u>	<u>3,821,110</u>
Excess (Deficiency) of revenues over expenditures	<u>294,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,359</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>					
Proceeds from sale of land	-	-	-	-	-
Net change in fund balances	294,359	-	-	-	294,359
Fund balance—July 1	528,277	-	-	-	528,277
Fund balance—June 30	<u>\$ 822,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 822,636</u>

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

**LIBERTY ACADEMY CHARTER SCHOOL  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2011**

**Total net change in fund balances - governmental funds (from B-2)** \$ 293,999

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

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

Depreciation expense	\$	-	
Capital outlays		-	-
		-	

Repayment of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

-

**Change in net assets of governmental activities**

\$ 293,999

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

## **PROPRIETARY FUNDS**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

			<b>Business-type                      Activities                      Enterprise funds                      Food Service</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$	57,507	
Investments		-	
Accounts receivable - Federal Aid		6,055	
Accounts receivables - State Aid		106	
Accounts receivables - Local		-	
Total current assets		63,668	
Noncurrent assets:			
Restricted cash and cash equivalents		-	
Furniture, machinery & equipment		-	
Less accumulated depreciation		-	
Total noncurrent assets		-	
Total assets		63,668	
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft		-	
Accounts Payable		704	
Interfund- General fund		19,688	
Total current liabilities		20,392	
Total liabilities		20,392	
<b>NET ASSETS</b>			
Invested in capital assets net of related debt		-	
Restricted for:			
Capital projects		-	
Unrestricted		43,276	
Total net assets	\$	43,276	

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

Exhibit B-5

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Business-type Activities Enterprise Fund</b>
	<b>Food Service</b>
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$ 1,769
Miscellaneous Revenue	37,870
Total operating revenues	39,639
Operating expenses:	
Cost of sales	206,425
Salaries and Benefits	-
Professional Fees	-
Supplies, Materials and Other Expenses	-
Depreciation	0
Total Operating Expenses	206,425
Operating income (loss)	(166,786)
Nonoperating revenues (expenses):	
Board Subsidy	
State sources:	
State Breakfast Program	
State school lunch program	1,911
Federal sources:	
National school breakfast program	17,294
National school lunch program	94,213
National snack program	-
Total nonoperating revenues (expenses)	113,418
Income (loss) before contributions & transfers	(53,368)
Capital contributions	-
Transfers in (out)	0
Change in net assets	(53,368)
Total net assets—beginning	96,644
Total net assets—ending	\$ 43,276

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

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

		<b>Business-type Activities Enterprise Funds</b>
		<b>Food Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$	44,204
Payments to employees and benefits		0
Payments to suppliers		(196,384)
Net cash provided by (used for) operating activities		(152,180)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State and Federal Sources		117,969
Operating subsidies and transfers to other funds		0
Net cash provided by (used for) non-capital financing activities		117,969
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase In Fixed Assets		---
Proceeds from sale/maturities of investments		---
Net cash provided by (used for) investing activities		-
Net increase (decrease) in cash and cash equivalents		(34,211)
Cash Balances—beginning of year		91,718
Cash Balances—end of year	\$	57,507
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$	(19,415)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		(4,949)
(Increase) decrease in inventories		-
(Increase) decrease in USDA Commonities		-
Increase (decrease) in accounts payable		10,351
Increase (decrease) in accrued compensated absences		0
Total adjustments		5,402
Net cash provided by (used for) operating activities	\$	(14,013)

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

## **FIDUCIARY FUNDS**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<u>Unemployment Compensation Trust</u>	<u>Agency fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,756	\$ -
Investments, at fair value:		
U.S. government obligations		-
NJ municipal bonds		-
Total investments	-	-
Total assets	<u>4,756</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Accounts payable		-
Payable to district	-	
Payable to student groups	-	
Payroll deductions and withholdings	-	-
Total liabilities	<u>-</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Held in trust for unemployment claims and other purposes	<u>\$ 4,756</u>	
Reserved for scholarships		

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

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

	Unemployment Compensation Trust
<b>ADDITIONS</b>	
Contributions:	
Plan member	\$ -
Other	138,239
Total Contributions	138,239
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	-
Dividends	-
Less investment expense	-
Net investment earnings	-
Total additions	138,239
<b>DEDUCTIONS</b>	
Quarterly contribution reports	(119,010)
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	(119,010)
Change in net assets	19,229
Net assets—beginning of the year	4,756
Net assets—end of the year	\$ 23,985

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

## **NOTES TO FINANCIAL STATEMENTS**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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 significant changes in financial reporting and was first implemented by the Liberty Academy Charter School for the fiscal year ending June 30, 2003. In addition, the 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.

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

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

**A. Reporting Entity:**

The Liberty Academy Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Liberty Academy Charter School Board of Trustees is responsible for the fiscal control of the Liberty Academy Charter School. The principal is appointed by the Liberty Academy Charter School and is responsible for the administrative control of the Liberty Academy Charter School. Under existing statutes, the Liberty Academy Charter School's duties and powers include, but are not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Liberty Academy Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The accompanying financial statements present the government and its component units, entities for which the school is considered to be financially accountable. The Liberty Academy Charter School has no blended or discretely presented component units. Furthermore, the Liberty Academy Charter School is not includable in any other reporting entity as a component unit.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**B. Government-wide and Fund Financial Statements:**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *miscellaneous revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**  
**(continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this measurement focus and basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available).

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Liberty Academy Charter School considers revenues to be available if they are collected within 90 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures, which are recorded when payment is due and compensated absences and claims and judgments which are recorded only to the extent that there are expendable financial resources available.

Other items associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Liberty Academy Charter School.

The Liberty Academy Charter School reports the following major governmental funds:

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

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

The *enterprise fund* accounts for the activities of the After School Program.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**  
**(continued)**

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for private donations for scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the intended purposes. There is no requirement that any portion of these resources be preserved as capital.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* in the Liberty Academy Charter School - wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**D. Assets, Liabilities and Net Assets or Equity:**

1. *Deposits and Investments*

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

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables and Payables*

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

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

3. *Inventories and Prepaid Items*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Accrued Liabilities and Payables**

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

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The 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.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**D. Assets, Liabilities and Net Assets or Equity: (continued)**

**4. *Capital Assets***

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

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

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

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method.

**5. *Fund Reserve Restrictions, Commitments and Assignments***

The Charter School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**D. Assets, Liabilities and Net Assets or Equity: (continued)**

**Fund Reserves Restrictions, Commitments and Assignments (continued)**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has no funds restricted at June 30, 2011.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2011.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources at June 30, 2011.

**Reserve for Encumbrances** - This reserve is created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30. There were no reserve for encumbrance at June 30, 2011.

**Reserve for Capital Reserve Account** - This reserve is created by budget appropriation to fund future capital expenditures.

**Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures**  
This reserve is created to represent the portion of fund balance at June 30, 2011 restricted and utilized in the adopted subsequent year's budget. At June 30, 2011 there were no reserves.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

No difference noted.

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information:**

In accordance with the requirements of the New Jersey Department of Education, the Liberty Academy Charter School annually prepares its operating budget for the forthcoming year. The budget, except for the special revenue fund, which is more fully explained below, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon by the Board of Trustees. Budget adoptions and amendments are recorded in the Liberty Academy Charter School minutes.

The budget is properly amended by the Liberty Academy Charter School trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount.

The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The school approved several budget transfers during 2010-2011.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**A. Budgetary Information: (continued)**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, 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 fund from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Operating In</u>	<u>Transfers Out</u>
Budgetary Basis	\$503,340	\$503,340	-	-
Adjustments:	-	-	-	-
Add encumbrances at June 30, 2010	-	-	-	-
Less encumbrances at June 30, 2011	-	-	-	-
GAAP Basis	\$503,340	\$503,340	-	-

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**A. Budgetary Information: (continued)**

Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

**B. Capital Reserve Account:**

Funds placed in the capital reserve account are restricted to capital projects in the Liberty Academy Charter School's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR).

There was no capital reserve account established at June 30, 2011.

**NOTE 4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

As of June 30, 2011, Liberty Academy Charter School cash and cash equivalents consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Operating Account	\$744,631	(\$68,378)	(\$57,507)	\$870,516

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

**Category 2** - Collateralized with securities held by the pledging financial institutions trust department or agent in the Board's name.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments (continued)**

**Deposits (continued)**

**Category 3** - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Liberty Academy Charter School's name.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>
Deposits	\$870,516	\$ 0	\$ 0	\$870,516

The Liberty Academy Charter School's cash deposits as June 30, 2011 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

**Investments**

New Jersey statutes permit the Liberty Academy Charter School to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the Liberty Academy Charter School or bonds or other obligations of the local unit or units which the school district is located.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 18A:20-37.

The Liberty Academy Charter School had no outstanding investments at June 30, 2011.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**A. Investments (continued)**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$6,334</u>	<u>\$152,060</u>	<u>\$6,161</u>	<u>\$164,555</u>
Gross Receivables	<u>\$6,334</u>	<u>\$152,060</u>	<u>\$6,161</u>	<u>\$164,555</u>

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The school does not have a formal policy for custodial credit risk. As of June 30, 2011, the school bank balance of \$986,484 was not exposed to custodial credit risk since all deposits were considered insured by either FDIC or GUDPA.

**B. Deferred Revenue**

Deferred Revenue represents funds which have been received but not yet earned. The \$3,225 deferred revenue in the special revenue fund is from:

Title II Part A	<u>3,225</u>
Total Deferred Revenue	<u>\$3,225</u>

**C. Capital Assets**

Capital assets as at the year ended June 30, 2011 was as follows:

**Primary Government:**

	<b><u>Balance at June 30, 2011</u></b>
<b>Capital assets, being depreciated:</b>	
Equipment	202,642
Building and site improvements	<u>214,539</u>
Total	<u>\$ 417,181</u>
<b>Less accumulated depreciation for:</b>	
Total accumulated depreciation	<u>\$(417,181)</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)**

**C. Capital Assets (continued)**

**Governmental activities:**

Total depreciation expense - governmental activities \$0

Capital assets are depreciated in the financial statements using the straight-line method over the estimated useful life of the asset.

**D. Interfund Receivables, Payables, and Transfers:**

As of June 30, 2011, there were no interfund transactions reflected.

**NOTE 5. OTHER INFORMATION**

**A. Contingent Liabilities**

The Liberty Academy Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Liberty Academy Charter School may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Liberty Academy Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Liberty Academy Charter School.

The Liberty Academy Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Liberty Academy Charter School and which might materially affect the Liberty Academy Charter School's financial position.

In addition, when the school left its prior location, they did not remove their name on the PSE&G poles. The current tenant incurred utility liabilities that Liberty Academy is being billed for. The school did not incur these expenses; however, they still need to be released from the liability by PSE&G.

**B. Employee Retirement Systems and Pension Plans**

**Plan Description**

Substantially all of the Liberty Academy Charter School's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statutes, all employer contributions are made jointly by the

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Plan Description (continued)**

State of New Jersey and the Liberty Academy Charter School. The Public Employees Retirement System is considered a cost-sharing multiple-employer plan.

*Teachers' Pension and Annuity Fund*

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State.

Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 60 (55 for Veterans for military service, Ch. 133, P.L. 2001) with an annual benefit generally determined to be 1/60<sup>th</sup> (amended to 1/55<sup>th</sup> as of November 1, 2001, Ch. 133 P.L. 2001) of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

*Public Employees' Retirement System*

The Public Employees' Retirement Systems was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system.

Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 (55 for Veterans for military service, Ch. 133, P.L. 2001) with an annual benefit generally determined to be 1/60<sup>th</sup> (amended to 1/55<sup>th</sup> as of November 1, 2001, Ch. 133 P.L. 2001) of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Significant Legislation**

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/71<sup>th</sup> of the required amount, beginning in Fiscal Year 2012.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

**Funding Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$681,572 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**C. Post Retirement Benefits**

**Post-Employment Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**C. Post Retirement Benefits**

**Post-Employment Medical Benefits (continued)**

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund - State classified as a single employer plan. The SHBP-Local, PDP-Local and the PRM of the TPAF are combined and reported as Health Benefits Program Fund -Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**Health Benefits Program Fund (HBPF) - Local Education** (including Prescription Drug Program Fund) - The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P .L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**C. Post Retirement Benefits**

**Post-Employment Medical Benefits (continued)**

**Basis of Accounting**

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**Significant Legislation**

P.L. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**C. Post Retirement Benefits**

**Post-Employment Medical Benefits (continued)**

**Funded Status and Funding Progress (continued)**

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers Pension and Annuity Fund (TPAF) and Public Employees Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding 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 with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

**C. Post Retirement Benefits**

**Post-Employment Medical Benefits (continued)**

**Post-Retirement Medical Benefits Contributions (continued)**

The State sets the contribution rate based on a pay as you go basis and not on *the annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School for the year ended June 30, 2011, was not determined or made available by the State of New Jersey. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf the School District was not determined or made available by the State of New Jersey.

**NOTE 6. RISK MANAGEMENT**

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

**NOTE 7. LONG-TERM LEASES**

The school leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2011 amount to \$517,000. Future obligations over the primary terms of the long-term lease is as follows:

2012	\$517,000
2013	\$517,000
2014	\$517,000
2015	\$517,000
2016	\$517,000

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Share	\$0	\$804,076	\$804,076	\$744,037	\$60,039
State Share	3,049,078	(804,076)	2,245,002	2,245,002	0
Other Restricted Miscellaneous Revenues					
Miscellaneous	0		0	825	(825)
<b>Total - Local Sources</b>	<u>3,049,078</u>	<u>0</u>	<u>3,049,078</u>	<u>2,989,864</u>	<u>59,214</u>
Categorical Aid					
Special Education	83,178	0	83,178	81,064	\$2,114
Non Public Aid	0	0	0	123,518	(\$123,518)
Adjustment Aid	142,896	0	142,896	201,046	(\$58,150)
Demonstrably Effective Aid	0	0	0	0	\$0
TPAF Pension (On-Behalf - Non-Budgeted)	0		0	102,432	(\$102,432)
TPAF Social Security (Reimbursed - Non-Budgeted)	0	0	0	114,205	(114,205)
<b>Total State Sources</b>	<u>226,074</u>	<u>0</u>	<u>226,074</u>	<u>622,265</u>	<u>(396,191)</u>
<b>Total Revenues</b>	<u>3,275,152</u>	<u>0</u>	<u>3,275,152</u>	<u>3,612,129</u>	<u>(336,977)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Teachers Salary	1,081,247	0	1,081,247	1,081,189	58
Other Salaries	80,160	0	80,160	76,472	3,688
Prof/Tech Services	33,000	0	33,000	7,238	25,762
Other Purchased Services (400-500 series)	5,000	0	5,000	434	4,566
General Supplies	44,200	0	44,200	41,638	2,562
Textbooks	14,000	0	14,000	9,581	4,419
Other Objects	26,000	0	26,000	22,482	3,518
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>1,283,607</u>	<u>0</u>	<u>1,283,607</u>	<u>1,239,034</u>	<u>44,573</u>

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Support Services - General Administrative</b>					
Salaries of Administrative Salaries	\$346,333	\$0	\$346,333	\$343,460	\$2,873
Salaries of Secretarial and Clerical Assistants	70,974	0	70,974	70,805	169
Cost of Benefits	512,700	0	512,700	443,168	69,532
Professional/Tech Services	69,600	0	69,600	54,091	15,509
Other Purchased Services (400-500 series)	0	0	0	0	0
Communications/Telephone	12,000	0	12,000	9,153	2,847
Supplies and Materials	7,442	0	7,442	4,828	2,614
Miscellaneous	15,000	0	15,000	14,759	241
	<u>1,034,049</u>	<u>0</u>	<u>1,034,049</u>	<u>940,264</u>	<u>93,785</u>
<b>Support Services - School Admin/Operation Plant Services</b>					
Salaries	258,946	-	258,946	255,482	\$3,464
Purchased Professional and Technical Services	11,000	0	11,000	10,302	698
Other Purchased Services	30,000	0	30,000	27,727	2,273
Rent	527,340	0	527,340	517,000	10,340
Insurance	57,710	0	57,710	45,122	12,588
General Supplies	12,000	0	12,000	10,786	1,214
Transportation- Trips	0	0	0	0	0
Energy (Energy and Electricity)	53,000	0	53,000	48,686	4,314
Miscellaneous	7,500	0	7,500	6,730	770
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>	<u>957,496</u>	<u>0</u>	<u>957,496</u>	<u>921,835</u>	<u>35,661</u>
<b>Food Service</b>					
Other Purchsed Saervices	0	0	0	0	0
<b>Total Food Services</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
On-behalf TPAF pension Contributions (non-budgeted)				102,432	(102,432)
Reimbursed TPAF Social Security Contributions (non-budgeted)			0	114,205	(114,205)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>			<u>0</u>	<u>216,637</u>	<u>(216,637)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	1,991,545	-	1,991,545	2,078,736	(87,191)
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>3,275,152</u>	<u>0</u>	<u>3,275,152</u>	<u>3,317,770</u>	<u>(42,618)</u>

LIBERTY ACADEMY CHARTER SCHOOL  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Regular Programs - Instruction:</b>					
Instructional Equipment	0	0	0	0	0
Non-instructional equipment	0	0	0	0	0
Purchased Improvements	0	0	0	0	0
Facilities Acquisition & Construction	0	0	0	0	0
<b>Total Equipment</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES- GENERAL FUND</b>	3,275,152	0	3,275,152	3,317,770	(42,618)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>294,359</u>	<u>(294,359)</u>
<b>Other Financing Sources:</b>					
<b>Operating Transfer In:</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources:</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	0	0	0	294,359	(294,359)
<b>Fund Balance, July 1</b>	0	0		0	
<b>Fund Balance, June 30</b>	<u>\$0</u>	<u>\$0</u>	<u>528,277</u> <u>\$528,277</u>	<u>528,277</u> <u>\$822,636</u>	<u>(\$294,359)</u>

LIBERTY ACADEMY CHARTER SCHOOL  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ -				
State Sources	-		-	-	
Federal Sources	503,340		503,340	503,340	
<b>Total Revenues</b>	<u>503,340</u>		<u>503,340</u>	<u>503,340</u>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	207,180		207,180	207,180	
Other Salaries for Instruction	-		-	-	
Purchased Professional -Educational Services					
Purchased Professional and Technical Services	54,153		54,153	54,153	
Tutoring Program	-		-	-	
Other Purchased Services (400-500 series)					
General Supplies	5,106		5,106	5,106	
Textbooks	-		-	-	
Instructional Supplies					
Personal Services- Employee Benefits	60,255		60,255	60,255	
Textbooks					
Equipment Instructional	7,642		7,642	7,642	
<b>Total Instruction</b>	<u>334,336</u>		<u>334,336</u>	<u>334,336</u>	
<b>Support Services</b>					
Salaries of Supervisor of Instruction					
Salaries of Program Directors	9,025		9,025	9,025	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Communication	-		-	-	
Personal Services - Employee Benefits					
Purchased Professional - Educational Services	105,898		105,898	105,898	
Other Purchased Professional Services	9,828		9,828	9,828	
Program Administration	7,825		7,825	7,825	
General Supplies	35,740		35,740	35,740	
Benefits	688		688	688	
Food Service Equipment					
Other Purchased Services (400-500 series)					
Parental Invaolment Expeditures					
<b>Total Support Services</b>	<u>169,004</u>		<u>169,004</u>	<u>169,004</u>	

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
<b>Total Facilities Acquisition and Construction Services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfer to Charter School</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>503,340</u>	<u>-</u>	<u>503,340</u>	<u>503,340</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Outflows</b>	<u>503,340</u>	<u>-</u>	<u>503,340</u>	<u>503,340</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
Expenditures and Other Financing Sources (Uses)	<u>\$ 503,340</u>	<u>\$ -</u>	<u>\$ 503,340</u>	<u>\$ 503,340</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Note to RSI**  
**For the Fiscal Year Ended June 30, 2011**

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

## **SPECIAL REVENUE FUND**

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures- Budgetary Basis**  
**For the Year Ended June 30, 2011**

	TOTAL	NCLB											IDEA	IDEA	IDEA	
		TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE				
		I	I c/o	C/O I ARRA	I SIA	SIA C/O	C/O SIA ARRA	IIA	C/O IIA	IID	C/O IID	IV				C/O IV
												TITLE VI	TITLE VI	ARRA		
REVENUES																
Intergovernmental																
State																
Federal	503,340	211,271	56,731	7,236	23,927	5,052	2,600	30,348	15,999	534	1,091	2,306	1,528	63,411	23,932	57,374
Other Sources																
Miscellaneous																
Total Revenues	503,340	211,271	56,731	7,236	23,927	5,052	2,600	30,348	15,999	534	1,091	2,306	1,528	63,411	23,932	57,374
EXPENDITURES																
Instruction	0															
Salaries	207,180	101,782	36,313	4,434	21,055											43,596
Other Salaries	0															
Purchased Services	0															
Purchased Prof. and Tech. Services	54,153	51,475										1,150	1,528			
General Supplies	5,106		3,718								606	782				
Textbooks	0															
Personal Services - Employee Benefits	60,255	26,407	2,222	1,716	2,872		2,600							13,411		11,027
Other Objects	0															
Equipment Instructional	7,642															2,642
Total Instruction	334,336	179,664	42,253	6,150	23,927	0	2,600	0	0	0	606	1,932	1,528	13,411	5,000	57,265
Support Services																
Salaries of Supervisors of Instruction	0		0													
Salaries of Program Directors	9,025	5,000						4,025								
Salaries of Other Prof. Staff	0															
Salaries of Secretarial and Clerical Ass't	0															
Other Purchased Services	9,828		0					8,943		400	485					
Program Administration	7,825	5,896						1,929								
Supplies and Materials	35,740			1,086		5,052		11,420	13,289			374			4,410	109
Other Purchased Services	0															
Purchased Professional/Educational Ser.	105,898	20,711	14,478					3,343	2,710	134				50,000	14,522	
Benefits	688							688								
Field Trips	0															
Administration Charge	0			0												
Total Support Services	169,004	31,607	14,478	1,086	0	5,052	0	30,348	15,999	534	485	374	0	50,000	18,932	109
TOTAL EXPENDITURES	\$503,340	\$211,271	\$56,731	\$7,236	\$23,927	\$5,052	\$2,600	\$30,348	\$15,999	\$534	\$1,091	\$2,306	\$1,528	\$63,411	\$23,932	\$57,374

## **PROPRIETARY FUNDS**

## **ENTERPRISE FUND**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Net Assets**  
**JUNE 30, 2011**

	<b>Business-Type Activities</b>	<b>Business-Type Activities</b>	<b>Business-Type Activities</b>
	Enterprise Fund	After Care	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$11,276	\$46,231	\$57,507
Intergovernmental Receivable			
Federal	\$6,055		\$6,055
State	106		106
Accounts Receivable		---	0
Total Current Assets	<u>17,437</u>	<u>46,231</u>	<u>63,668</u>
Total Assets	<u><u>17,437</u></u>	<u><u>46,231</u></u>	<u><u>63,668</u></u>
<b>LIABILITIES</b>			
Interfund - General fund	16,733	2,955	19,688
Accounts Payable	704	--	704
Total Current Liabilities	<u>17,437</u>	<u>2,955</u>	<u>20,392</u>
Net Assets			
Unrestricted	---	43,276	43,276
Invested in capital assets net of related debt		0	0
Total Net Assets	<u><u>\$0</u></u>	<u><u>\$43,276</u></u>	<u><u>\$43,276</u></u>

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2011**

	<u>Business-Type Activities</u>	<u>Business-Type Activities</u>	<u>Business-Type Activities</u>
	Enterprise Fund Food Services	Enterprise Fund After Care Program	Total
<b>OPERATING REVENUES</b>			
Local Sources			
Daily Sales - Reimbursable Programs	1,769	---	1,769
Special Lunch and Breakfast Program			
After Care Revenue		37,870	37,870
Total Operating Revenues	1,769	37,870	39,639
<b>OPERATING EXPENSES</b>			
Salaries, wages and employee benefits	(28,229)	(27,620)	(55,849)
Cost of Sales	(139,669)	---	(139,669)
Supplies and materials	(10,185)	(722)	(10,907)
Depreciation			
Cost of Sales			
Total Operating Expenses	(178,083)	(28,342)	(206,425)
Income (Loss) From Operations	(176,314)	9,528	(166,786)
Nonoperating Revenues			
Board Subsidy			0
State Sources			
National School Lunch	1,911		1,911
State Breakfast			0
Federal Sources			
School Breakfast Program	17,294		17,294
National School Lunch Program	94,213		94,213
National Snack Program	0		0
Total Nonoperating Revenues	113,418	0	113,418
Net Income (Loss)	(62,896)	9,528	(53,368)
Total Net Assets- Beginning of Year	62,896	33,748	96,644
Total Net Assets- End of Year	\$0	\$43,276	\$43,276

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2011**

	<u><b>2011</b></u>
Cash flows from operating activities	
Cash Received from Customers	44,204
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(196,384)
Net Cash (Used) by Operating Activities	<u>(152,180)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	0
Cash Received from State and Federal Subsidy Reimbursements	117,969
Net Cash Provided by Noncapital Financing Activities	<u>117,969</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	---
Net Increase in Cash and Cash Equivalents	(34,211)
Cash and Cash Equivalents, Beginning of Year	91,718
Cash and Cash Equivalents, End of Year	<u>\$57,507</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	(\$53,368)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	9,116
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	10,041
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(34,211)</u>
 Net Cash Used by Operating Activities	<u><u>(\$34,211)</u></u>

## **FIDUCIARY FUNDS**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Combining Statement of Agency Fund Net Assets**  
**Fiduciary Funds**  
**As of June 30, 2011**

	<u>Unemployment Insurance</u>	<u>Student Activity</u>	<u>Payroll Account</u>	<u>Payroll Agency</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash	\$23,558	\$6,419	\$0	\$0	\$29,977
Total Assets	<u>\$23,558</u>	<u>\$6,419</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,977</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Intergovernmental Payable - State					
Payroll Deductions and Withholdings	23,558		0	0	0
College Trust Fund					0
Due to Student Groups		6,419			6,419
Total Liabilities	<u>23,558</u>	<u>6,419</u>	<u>0</u>	<u>0</u>	<u>29,977</u>
<b>Fund Balances</b>					
Reserve For Unemploy. Trust Fund	0	0	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$23,558</u>	<u>\$6,419</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,977</u>

**Exhibit H-2**

**LIBERTY ACADEMY CHARTER SCHOOL  
Nonexpendable Trust Fund  
Combining Statement of Agency Fund Net Assets  
Fiduciary Funds  
As of June 30, 2011**

**NOT APPLICABLE**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Student Activity Account**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Parent Council Fund	\$6,270	\$14,073	(\$13,924)	\$6,419
Total	\$6,270	\$14,073	(\$13,924)	\$6,419

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$0</u>	<u>\$2,249,631</u>	<u>\$2,249,631</u>	<u>\$0</u>
Total Liabilities	<u>0</u>	<u>2,249,631</u>	<u>2,249,631</u>	<u>0</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	0	973,998	973,998	0
Accrued Salaries and Wages	<u>                    </u>	<u>1,275,633</u>	<u>1,275,633</u>	<u>                    </u>
Total Liabilities	<u>\$0</u>	<u>\$2,249,631</u>	<u>\$2,249,631</u>	<u>\$0</u>

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Unemployment Compensation Insurance Trust Fund**  
**Statement of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS</b>				
Cash and cash Equivalents	\$4,756	\$138,239	\$119,010	\$23,985
Total Assets	<u>\$4,756</u>	<u>\$138,239</u>	<u>\$119,010</u>	<u>\$23,985</u>
<b>LIABILITIES</b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>FUND BALANCE</b>				
Reserve for Unemployment Compensation	\$4,756	\$138,239	\$119,010	\$23,985
Total Liabilities and Fund Balance	<u>\$4,756</u>	<u>\$138,239</u>	<u>\$119,010</u>	<u>\$23,985</u>

## **FINANCIAL TRENDS**

**LIBERTY ACADEMY CHARTER SCHOOL  
NET ASSETS BY COMPONENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 17,300	\$ 40,549	\$ 63,058	\$ 1,060
Restricted	-	-			-	-
Unrestricted	822,636	528,277	722,951	802,237	827,270	918,010
Total governmental activities net assets	<u>\$ 822,636</u>	<u>\$ 528,277</u>	<u>\$ 740,251</u>	<u>\$ 842,786</u>	<u>\$ 890,328</u>	<u>\$ 919,070</u>
Business-type activities					\$ -	\$ -
Invested in capital assets, net of related debt					-	-
Restricted	43,276		116,059	87,498	60,507	9,153
Unrestricted	<u>\$ 43,276</u>		<u>\$ 116,059</u>	<u>\$ 87,498</u>	<u>\$ 60,507</u>	<u>\$ 9,153</u>
Total business-type activities net assets						
School-wide	\$ -	\$ -	\$ 17,300	\$ 40,549	\$ 63,058	\$ 1,060
Invested in capital assets, net of related debt					-	-
Restricted	865,912	528,277	839,010	889,735	887,777	927,163
Unrestricted	<u>\$ 865,912</u>	<u>\$ 528,277</u>	<u>\$ 856,310</u>	<u>\$ 930,284</u>	<u>\$ 950,835</u>	<u>\$ 928,223</u>
Total school net assets						

**LIBERTY ACADEMY CHARTER SCHOOL  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Expenses</b>						
Governmental activities						
Instruction						
Regular	\$1,239,034	\$1,828,717	\$1,955,119	\$2,228,782	\$2,026,011	\$2,233,883
Support Services:						
General administration	940,264	1,213,303	786,458	586,976	702,223	785,120
School Administrative Services	1,036,040	1,089,412	1,132,802	1,426,352	1,259,881	1,240,385
Capital outlay	-	-	-	-	43,944	122,135
Unallocated depreciation	-	17,300	23,249	41,994	41,994	63,334
Total governmental activities expenses	<u>3,215,338</u>	<u>4,148,732</u>	<u>3,897,628</u>	<u>4,284,104</u>	<u>4,074,053</u>	<u>4,444,857</u>
Business-type activities:						
Food service and Child care	206,425	181,167	147,434	135,719	115,080	19,396
Total business-type activities expense	<u>206,425</u>	<u>181,167</u>	<u>147,434</u>	<u>135,719</u>	<u>115,080</u>	<u>19,396</u>
Total school expenses	<u>\$3,421,763</u>	<u>\$4,329,899</u>	<u>\$4,045,062</u>	<u>\$4,419,823</u>	<u>\$4,189,133</u>	<u>\$4,464,253</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
Instruction (tuition)	\$0	\$0	\$0	\$0	\$0	\$0
Pupil transportation	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-
Operating grants and contributions	503,340	413,099	60,488	170,521	153,008	191,299
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>503,340</u>	<u>413,099</u>	<u>60,488</u>	<u>170,521</u>	<u>153,008</u>	<u>191,299</u>
Business-type activities:						
Charges for services						
Operating grants and contributions	153,057	161,752	37,765	36,249	36,207	-
grants and contributions	503,340	413,099	117,851	93,249	107,191	-
Total business type activities program revenues	<u>656,397</u>	<u>574,851</u>	<u>155,616</u>	<u>129,498</u>	<u>143,398</u>	<u>-</u>
Total school program revenues	<u>\$1,159,737</u>	<u>\$987,950</u>	<u>\$216,104</u>	<u>\$300,019</u>	<u>\$296,406</u>	<u>\$191,299</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	(3,215,338)	(\$3,735,633)	(\$3,837,140)	(\$4,113,583)	(\$3,921,045)	(\$4,253,558)
Business-type activities	(53,368)	(19,415)	8,182	(6,221)	28,318	(19,396)
Total school-wide net expense	<u>(\$3,268,706)</u>	<u>(\$3,755,048)</u>	<u>(\$3,828,958)</u>	<u>(\$4,119,804)</u>	<u>(\$3,892,727)</u>	<u>(\$4,272,954)</u>

LIBERTY ACADEMY CHARTER SCHOOL  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011

General Revenues and Other Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities:						
Local share	\$744,037	\$633,358	\$576,584	\$947,193	\$808,494	\$804,428
Federal and State Aid not Restricted	2,764,835	2,890,301	3,142,154	3,030,432	2,968,967	3,100,268
Miscellaneous income	-	-	4,907	29,986	37,449	-
Increase in Net Capital Outlay	-	-	10,960	61,596	12,229	-
Investment earnings				-	-	-
Miscellaneous income	825		-	-	-	81,519
Transfers				-	-	-
Total governmental activities	<u>3,509,697</u>	<u>3,523,659</u>	<u>3,734,605</u>	<u>4,069,207</u>	<u>3,827,139</u>	<u>3,986,215</u>
Business-type activities:						
Investment earnings			20,379	-	23,036	15,133
Transfers				-	-	-
Total business-type activities			<u>20,379</u>	<u>-</u>	<u>23,036</u>	<u>15,133</u>
Total school-wide	<u>\$3,509,697</u>	<u>\$3,523,659</u>	<u>3,754,984</u>	<u>\$4,069,207</u>	<u>\$3,850,175</u>	<u>\$4,001,348</u>
<b>Change in Net Assets</b>						
Governmental activities	\$294,359	(\$211,974)	(\$102,535)	(\$44,376)	(\$93,906)	(\$267,343)
Business-type activities	(53,368)	(19,415)	28,561	(6,221)	51,354	(4,263)
Total school	<u>\$240,991</u>	<u>(\$231,389)</u>	<u>(\$73,974)</u>	<u>(\$50,597)</u>	<u>(\$42,552)</u>	<u>(\$271,606)</u>

**LIBERTY ACADEMY CHARTER SCHOOL  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund						
Reserved						
Unreserved	822,636	528,277	476,516	476,516	1,735,064	1,735,064
Total general fund	\$ 822,636	\$ 528,277	\$ 476,516	\$ 476,516	\$ 1,735,064	\$ 1,735,064
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds						

**LIBERTY ACADEMY CHARTER SCHOOL  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>						
Local tax Levy	\$ 744,037	\$ 633,358	\$ 592,451	\$ 1,038,775	\$ 858,172	\$ 870,814
Other local revenue	2,245,002	2,131,929	-	-	-	-
Miscellaneous Income	825					
State sources	622,265	758,372	2,946,657	2,583,200	2,720,485	2,968,352
Federal sources	503,340	413,099	255,985	617,753	401,490	323,215
Total revenue	<u>4,115,469</u>	<u>3,936,758</u>	<u>3,795,093</u>	<u>4,239,728</u>	<u>3,980,147</u>	<u>4,162,381</u>
<b>Expenditures</b>						
Instruction						
Regular Instruction	1,573,370	1,828,717	1,575,332	1,797,903	1,613,174	1,835,661
Support Services:						
General administration	1,109,268	1,213,303	1,229,638	1,105,016	1,126,747	1,227,063
School administrative services/Plant	921,835	980,034	1,069,409	1,361,842	1,287,022	1,235,492
TPAF Social Security	216,637	109,378	-	-	-	-
Food Service			-	-		-
Capital outlay	-	-	-	-	43,944	208,639
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total expenditures	<u>3,821,110</u>	<u>4,131,432</u>	<u>3,874,379</u>	<u>4,264,761</u>	<u>4,070,887</u>	<u>4,506,855</u>
Excess (Deficiency) of revenues over (under) expenditures	294,359	(194,674)	(79,286)	(25,033)	(90,740)	(344,474)
<b>Other Financing sources (uses)</b>						
Proceeds from borrowing	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Transfers in					89,480	236,598
Transfers out					(89,480)	(236,598)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 294,359</u>	<u>\$ (194,674)</u>	<u>\$ (79,286)</u>	<u>\$ (25,033)</u>	<u>\$ (90,740)</u>	<u>\$ (344,474)</u>

## **REVENUE CAPACITY**

**EXHIBIT J-5**

**LIBERTY ACADEMY CHARTER SCHOOL  
REVENUE CAPACITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOT APPLICABLE**

**Exhibit J-6**

**LIBERTY ACADEMY CHARTER SCHOOL  
Assessed Value and Actual Value of Taxable Property  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**Exhibit J-7**

**LIBERTY ACADEMY CHARTER SCHOOL  
Direct and Overlapping Property Tax Rates  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**Exhibit J-8**

**LIBERTY ACADEMY CHARTER SCHOOL  
Principal Property Taxpayers  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

## **DEBT CAPACITY**

**Exhibit J-9**

**LIBERTY ACADEMY CHARTER SCHOOL  
Property Tax Levies and Collections  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**Exhibit J-10**

**LIBERTY ACADEMY CHARTER SCHOOL  
Ratios of Outstanding Debt by Type  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**Exhibit J-11**

**LIBERTY ACADEMY CHARTER SCHOOL  
Ratios of Net General Bonded Debt Outstanding  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**Exhibit J-12**

**LIBERTY ACADEMY CHARTER SCHOOL  
Direct and Overlapping Governmental Activities Debt  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Exhibit J-13**

**LIBERTY ACADEMY CHARTER SCHOOL  
Demographic and Economic Statistics  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**Exhibit J-14**

**LIBERTY ACADEMY CHARTER SCHOOL  
Principal Employers  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**OPERATING INFORMATION  
(UNAUDITED)**

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Full-time Equivalent School Employees by Function/Program**  
**For the Year Ended June 30, 2011**

<u>Function/Program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Instruction						
Regular	24	21				
Special education	3	2				
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	4	4				
General administration	4	4				
School administrative services						
Other administrative services			-	-	-	-
Central services						
Administrative Information Technology						
Plant operations and maintenance	4	4				
Pupil transportation			-	-	-	-
Other support services			-	-	-	-
Special Schools			-	-	-	-
Food Service						
Child Care						
Total	<u>39</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Source:** School Personnel Records

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Operating Statistics**  
**For the Year Ended June 30, 2011**

Pupil/Teacher Ratio

<b>Fiscal Year</b>	<b>Enroll</b>	<b>Operating Expenditures</b>	<b>Cost Per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Elementary</b>	<b>Middle School</b>	<b>Senior High School</b>	<b>Average Daily Enrollment (ADE)</b>	<b>Average Daily Attendance (ADA)</b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2006	360.5	4,298,216	11,923	4.72%	N/A	N/A	N/A	N/A	360.5	349	-5.10%	96.81%
2007	332.6	4,026,943	12,107	1.55%	N/A	N/A	N/A	N/A	332.6	317	-8.39%	95.31%
2008	303.9	4,264,761	14,033	15.91%	N/A	N/A	N/A	N/A	303.9	290	-9.44%	95.43%
2009	267.6	3,874,379	14,478	3.17%	N/A	N/A	N/A	N/A	269.0	267	-8.00%	95.50%
2010	267.2	4,079,123	15,266	5.00%	N/A	N/A	N/A	N/A	272.6	263	-1.00%	96.30%
2011												

Sources: District records

**LIBERTY ACADEMY CHARTER SCHOOL**  
**School Building Information**  
**For the Year Ended June 30, 2011**

<u>School Building</u>	<u>2011</u>	<u>2010</u>
Building		
Square Feet	37860	37,860
Capacity (students)	306	306
Enrollment		279
Number of Schools at June 30		
Elementary / Middle School= 1		
Middle School = N/A		
Senior High School = N/A		

**Source:** School Office

**LIBERTY ACADEMY CHARTER SCHOOL**  
**Insurance Schedule**  
**For the Year Ended June 30, 2011**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Commercial Property	\$ 11,000,000	\$ 1,000
Real and Personal Property	11,000,000	\$ 1,000
School Board Legal Liability	250,000	1,000
Workers' Compensation	2,000,000	N/A
Surety Bonds (3)		
School Board Legal Liability	250,000	1,000
Public Official Bond	150,000	1,000

**LIBERTY ACADEMY CHARTER SCHOOL**  
**General Fund - Other Local Revenue By Source**  
**For the Year Ended June 30, 2011**

	<b>Sale of Capital</b>			<b>Prior Year</b>	<b>Sale and</b>	<b>Miscellaneous</b>	
	<b>Assets</b>	<b>Interest</b>	<b>Rentals</b>	<b>Refunds</b>	<b>Leaseback of</b>	<b>Revenue</b>	<b>Annual Totals</b>
Fiscal Year					<b>Textbooks</b>		
Ending June 30,							
2006		854				37,309	38,163
2007		37,449				12,229	49,678
2008		29,986				61,596	91,582
2009		4,907				10,960	15,867
2010		--				--	--
2011		865				--	865

Source: School records

**Exhibit J-20**

**LIBERTY ACADEMY CHARTER SCHOOL  
Schedule of Allowable Maintenance Expenditures by School Facility  
For the Year Ended June 30, 2011**

**NOT APPLICABLE**

**SINGLE AUDIT SECTION K**

SCOTT J. LOEFFLER  
CERTIFIED PUBLIC ACCOUNTANT  
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**EXHIBIT K-1**

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

The Honorable Chairman and  
Members of the Board of Trustees  
Liberty Academy Charter School  
County of Hudson  
Jersey City, New Jersey

I have audited the financial statements of the Board of Trustees of the Liberty Academy Charter School County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued my report thereon dated October 7, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Liberty Academy Charter School Board of Trustees financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink, appearing to read "Scott J Loeffler CPA". The signature is written in a cursive style with a horizontal line underneath.

Scott J Loeffler, CPA  
October 7, 2011

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**EXHIBIT K-2**

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

The Honorable Chairman and  
Members of the Board of Trustees  
Liberty Academy Charter School  
County of Hudson  
Jersey City, New Jersey

**Compliance**

I have audited the compliance of the Board of Trustees of the Liberty Academy Charter School, in the County of Hudson, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2011. Liberty Academy Charter School major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Liberty Academy Charter School management. My responsibility is to express an opinion on the Liberty Academy Charter School compliance based on my audit.

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

In my opinion, the Board of Trustees of the Liberty Academy Charter School, in the County of Hudson, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2011.

### **Internal Control Over Compliance**

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Licensed Public School Accountant No. 870



Scott J. Loeffler, CPA  
October 7, 2011

LIBERTY ACADEMY CHARTER SCHOOL  
 Schedule of Expenditures of Federal Awards  
 Fiscal year ended June 30, 2011

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	PROG Or Award Amount	Grant Period	Balance at June 30, 2010			Paid to Grantor 2011	Cash Rec	Budget Expend	Balance at June 30, 2011		
				Accounts Receivable	Deferred Revenue	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education:</b>												
<b>Passed-Through State Department of Education</b>												
<b>Special Revenue Fund:</b>												
Title I - FY 2010-2011	84.010	* 240,224	9/1/10-8/31/11					140,975	(211,271)	(70,296)		
Title I SIA - FY 2010-2011	84.010	*25,266	9/1/10-8/31/11					22,977	(23,927)	(950)		
Title II, Part A - FY 2010-2011	84.367	38,580	9/1/10-8/31/11						(30,348)	(30,348)		
Title II, Part D - FY 2010-2011	84.318	536	9/1/10-8/31/11					534	(534)	-		
Title IV - FY 2010-2011	84.186	2,306	9/1/10-8/31/11					-	(2,306)	(2,306)		
I.D.E.A - FY 2010-2011	84.027	73,992	9/1/10-8/31/11					47,462	(63,411)	(15,949)		
NCLB TIA - 2008	84.010	290,827	9/1/07-8/31/08			3,911	(3,911)					
Title I - FY 2009-2010	84.010	*289,721	9/1/09-8/31/10	(73,452)				119,710	(56,731)	(10,473)		
Title I ARRA - 2009-2011	84.389	* 115,030	07/1/09-8/31/11	(27,468)				34,704	(7,236)	-		
Title I SIA - FY 2009-2010	84.010	*5,138	9/1/09-8/31/10		1,105			-	(5,052)	(3,571)		
Title I SIA - ARRA 2009-2011	84.389	* 9,629	07/1/09-8/31/11					2,600	(2,600)	-		
Title II, Part A - FY 2009-2010	84.367	39,424	9/1/09-8/31/10	(3,522)				19,074	(15,999)	(447)		
Title II, Part D - FY 2009-2010	84.318	3,770	9/1/09-8/31/10	(1,948)				6,264	(1,091)		3,225	
Title IV - FY 2009-2010	84.186	6,950	9/1/09-8/31/10	(801)					(1,528)	(2,329)		
I.D.E.A - FY 2009-2010	84.027	63,529	9/1/09-8/31/10	(36,050)				49,729	(23,932)	(10,253)		
I.D.E.A - Basic ARRA - FY 2009-2011	84.391	* 81,486	07/1/09-8/31/11		49,762			7,612	(57,374)			
Title I - FY 2008-2009	84.010	269,783	9/1/08-8/31/09			26,022		10,634				36,656
Title I SIA - FY 2008-2009	84.010	15,137	9/1/08-8/31/09	(15,137)				9,999		(5,138)		0
Title II, Part A - FY 2008-2009	84.138	44,605	9/1/08-8/31/09	0				10,847				10,847
Title II, Part D - FY 2008-2009	84.138	2,284	9/1/08-8/31/09	0								0
Title IV - FY 2008-2009	84.186	3,773	9/1/08-8/31/09			1,713						1,713
I.D.E.A Basic - FY 2008-2009	84.027	NA	9/1/08-8/31/09	(67,732)				67,732		-		
I.D.E.A - Preschool - FY 2008-2009	84.027	1,089	9/1/08-8/31/09	(1,089)				1,089		-		

\* Major Program

LIBERTY ACADEMY CHARTER SCHOOL  
Schedule of Expenditures of Federal Awards  
Fiscal year ended June 30, 2011

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	PROG Or Award Amount	Grant Period	Balance at June 30, 2010			Paid to Grantor 2011	Cash Rec	Budget Expend	Balance at June 30, 2011			
				Accounts Receivable	Deferred Revenue	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	
Title I SIA - FY 2007-2008	84.010	21,403	9/1/07-8/31/08			128	(128)						
Title IV - FY 2007-2008	84.186	5,712	9/1/07-8/31/08			5,712	(5,712)						
Title V - FY 2007-2008	84.282	1,035	9/1/07-8/31/08			1,035	(1,035)						
I.D.E.A - FY 2007-2008	84.027	75,501	9/1/07-8/31/08			2,455	(2,455)						
												0	
Title II, Part A - FY 2006-2007	84.367	91,096	9/1/06-8/31/07			27,151	(27,151)						
												0	
<b>Total U.S. Department of Education/ Special Revenue Fund</b>					(227,199)	50,867	68,127	(40,392)	551,942	(503,340)	(152,060)	3,225	49,216
<b>U.S. Department of Agriculture</b>													
<b>Passed-through State Department of Agriculture</b>													
<b>Enterprise Fund:</b>													
National School breakfast program	10.553	17,294	9/1/10-6/30/11					15,990	(17,294)		(1,304)		
National School breakfast program	10.553	53,418	9/1/09-6/30/10	(1,886)				1,886			-		
National School lunch program	10.555	94,213	9/1/10-6/30/11					89,462	(94,213)		(4,751)		
National School lunch program	10.555	171,783	9/1/09-6/30/10	(8,388)				8,388			-		
<b>Total U.S. Department of Agriculture/ Enterprise Fund</b>		<u>2,157,737</u>			(10,274)			115,726	(111,507)		(6,055)		
<b>Total Expenditures of Federal Awards</b>					(237,473)	\$50,867	\$68,127	(\$40,392)	667,668	(614,847)	(158,115)	\$3,225	\$49,216

\* Major Program

EXHIBIT - B

LIBERTY ACADEMY CHARTER SCHOOL  
 Schedule of State Financial Assistance  
 For the Fiscal Year Ended June 30, 2011

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2010</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2011</u>
GENERAL FUND									
TPAF Social Security	11-495-034-5095-002	7/1/10-06/30/11	114,205		114,205	114,205			
On Behalf Pension	11-495-034-5095-007	7/1/10-06/30/11	102,432		102,432	102,432			
Charter School Aid - Local *	11-495-034-5120-071	7/1/10-06/30/11	744,037		744,037	744,037			
Charter School Aid - State *	11-495-034-5120-071	7/1/10-06/30/11	2,245,002		2,245,002	2,245,002			
Special Education	11-495-034-5120-089	7/1/10-06/30/11	81,064		81,064	81,064			
Adjustment aid	11-495-034-5120-085	7/1/10-06/30/11	201,046		201,046	201,046			
Non Public Aid	11-100-034-5120-066	7/1/10-06/30/11	123,518		123,518	123,518			
Total General Fund				--	3,611,304	3,611,304			
ENTERPRISE FUND									
State School Lunch	11-100-010-3350-023	7/1/10-06/30/11	1,911	--	1,805	1,911			(106)
Total Enterprise					1,805	1,911			(106)
GRAND TOTAL				--	3,613,109	3,613,215			(106)

\*Major Program

**LIBERTY ACADEMY CHARTER SCHOOL  
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of awards and financial assistance present the activity of all federal and state award programs of the Liberty Academy Charter School. The board of trustees is defined in the Notes to the school's general-purpose 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 school'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 GENERAL-PURPOSE FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

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 account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

**LIBERTY ACADEMY CHARTER SCHOOL  
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ ---	\$3,611,304	\$3,611,304
Special Revenue Fund	503,240	-0-	503,240
Food Service Fund	<u>111,507</u>	<u>1,805</u>	<u>113,312</u>
Total Awards and Financial Assistance	<u>\$ 614,747</u>	<u>\$3,613,109</u>	<u>\$4,227,856</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5. OTHER**

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, 2011 was \$102,432. TPAF Social Security Contributions of \$114,205 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, 2011.

**NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the schools basic financial statements and the amount subject to State single audit and major program determination.

**LIBERTY ACADEMY CHARTER SCHOOL  
COUNTY OF HUDSON, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statement Section**

Type of auditor’s report issued:	Unqualified <b><u>YES</u></b> <b><u>NO</u></b>
Internal control over financial reporting:	
Material weakness(es) identified:	<b>X</b>
Significant deficiencies identified not considered to be material weakness(es)?	<b>X</b>
Noncompliance material to financial statements noted?	<b>X</b>

**Federal Awards**

Internal control over compliance:	
Material weakness(es) identified?	<b>X</b>
Significant deficiencies identified not considered to be material weakness(es)?	<b>X</b>
Type of auditor’s report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	<b>X</b>
Identification of major programs:	

<b><u>CDEA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
None	None

Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000
Auditee qualified as low risk auditee:	<b>X</b>

**State Awards**

Dollar threshold used to distinguish between type A and type B programs (.520)	<b><u>YES</u></b> <b><u>NO</u></b> \$300,000
Auditee qualified as low risk auditee:	<b>X</b>
Type of auditor’s report issued:	Unqualified

Internal control over major programs:	
Material weakness(es) identified:	<b>X</b>
Significant deficiencies identified not considered to be material weakness(es)?	<b>X</b>
Type of auditor’s report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?	<b>X</b>

Identification of major programs:	
<b><u>CDEA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
5120-495-07	Charter School Aid Local and State

**LIBERTY ACADEMY CHARTER SCHOOL  
COUNTY OF HUDSON, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**LIBERTY ACADEMY CHARTER SCHOOL  
COUNTY OF HUDSON, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND  
QUESTIONED COSTS**

No federal and state award findings and questioned costs noted that are required to be reported in accordance of OMB Circular A-133.

**LIBERTY ACADEMY CHARTER SCHOOL  
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Status of Prior Year Findings**

No findings were reported for the prior year.