

**JERSEY CITY COMMUNITY
CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

**TCBA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**JERSEY CITY COMMUNITY CHARTER SCHOOL
JUNE 30, 2011**

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JERSEY CITY COMMUNITY CHARTER SCHOOL
128 Danforth Avenue – Jersey City, N.J. 07305
(201) 433 – 2288 - Fax: (201) 433 – 5803

November 2, 2011

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN – 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Jersey City Community Charter School (the “Charter School”) for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor’s report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey 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 auditor’s report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Jersey City Community Charter School is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

The Charter School provides a comprehensive early childhood program appropriate to grade level K to 8. That program included social, health and nutrition services that support the total education of the students and their families. The Charter School completed the 2010-2011 fiscal year with an average daily enrollment of 594 students, which is 18 students above the previous year's enrollment. The following details the changes in student enrollment of the school over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2010-2011	589	1.20%
2009-2010	582	3.13%
2008-2009	576	3.97%
2007-2008	554	13.76%
2006-2007	487	1.88%
2005-2006	478	9.38%
2004-2005	437	10.35%
2003-2004	396	32.00%
2002-2003	300	11.94%
2001-2002	268	13.56%

2) ECONOMIC CONDITION AND OUTLOOK

The Jersey City Community Charter School is located in Jersey City, the second largest municipality in New Jersey with a population of 247,597 accordingly to the United States Department of Commerce's 2000 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York-Northern New Jersey Metropolitan area.

The City's land area is 15.8 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multifamily development over the past ten years. The City is connected to New York City by Holland Tunnel and the PATH railroad tubes and is within ten miles of Newark International Airport and the container and cargo facilities of Port Newark-Elizabeth.

2) ECONOMIC CONDITION AND OUTLOOK - CONTINUED

The City is located in the County of Hudson. The City's size and current development activity cause it to dominate the economy of Hudson County. The City also serves as the seat of the County Government. Of the approximately 275,000 persons employed in the County, approximately 43% are employed in Jersey City.

The Charter School has completed its fourteenth year of implementation. During the 2010-2011 school-year, the school serviced 66 kindergarten students, 66 first grade students, 66 second grade students, 66 third grade students, 66 fourth grade students 66 fifth grade students, 66 sixth grade students, 66 seventh grade students and 66 eighth grade students.

Growth

The Jersey City Community Charter School began its inception with 72 kindergarten students. Plans for expansion included adding first grade in the 1998-1999 school year; second grade in the 2000-2001; third, through eighth grades in the subsequent years.

The Jersey City Community Charter School is one of the first cohort of charter schools in the state of New Jersey. In December 2000, the school submitted its first renewal application for continuation of its charter. In February 2001, the school received a charter to continue its operation under a charter for five additional years. During the 2005-2006 school-year, the school submitted its second renewal application. As a result the school received a charter for an additional five years to 2011. The school submitted its most recent renewal application during the 2010-2011 school-year and received a charter for an additional five years to 2015-2016. As part of the renewal process, the school was required to develop a five-year fiscal plan.

During the school year 2003-2004 the Charter School purchased one of its existing facilities (at 128 Danforth Avenue, in Jersey City, New Jersey) from the former owners, the Urban League of Hudson County, Inc. The building had a capacity for up to 350 students. During the 2008-2009 school-year the school completed the expansion of its existing facilities adding 14 classrooms at the 128 Danforth location. In addition, during the school year 2010-2011, the Charter School acquired and renovated a building at 16 Bentley Avenue, Jersey City, New Jersey providing more permanent facilities (classrooms and administrative offices) for the Middle School.

3) MAJOR INITIATIVES

The Charter School has developed a comprehensive strategic plan to support its mission and vision and serve as blue print for the achievement of its goals. The plan includes objectives such as pupil achievement, staff development and technology in the classroom. The school offers an extensive educational enrichment program as well as extra curricular programs that would continue the involvement of parents in the education

of their children. The school has created a “safe haven” program in the afternoons for students whose parents work. The program offers tutorial assistance as well as enrichment activities. The school also offers an Academic Athletic and Individual Mentoring Program which provides sports activities along with tutorial assistance. The school also offers a Saturday Academy for Excellence (S.A.F.E) to assist the students with test taking strategies.

During the 2010-2011 school-year, the school continued the implementation of its Family Literacy Program which included Family Reading, Family Math, Family Science, Family Art, Family Writing, Family Technology and Family Health Literacy.

As a result of the school’s expansion program the following components of the academic program have been added:

- Science Laboratory
- Library with Multi-Media Center and “Reading Room”
- Writing Laboratory
- Block Room
- Art Room
- Roof Top Playground
- Gymnasium
- Cafeteria

The addition of the Middle School building allows the school to offer Physical Education in a full gymnasium along with several elective courses re, filmmaking, photography, culinary, arts, graphic designs, art studio, aviation and music. These additions allow the school to offer a comprehensive program that will allow the students to experience the success they are entitled to.

4) INTERNAL ACCOUNTING CONTROLS

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

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School’s Board of Trustees.

4) **INTERNAL ACCOUNTING CONTROLS - CONTINUED**

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5) **BUDGETARY CONTROLS**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2011.

6) **ACCOUNTING SYSTEM AND REPORT**

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) **FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and special revenue funds for the fiscal years ended June 30, 2011 and the amount of increases in relation to prior year's revenues:

7) **FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END –CONTINUED**

<u>Revenue</u>	<u>2011</u>	<u>2010</u>	<u>Increase/ (decrease)</u>	<u>% Change</u>
Local sources	\$ 1,575,653	\$ 1,578,995	\$ (3,342)	-0.21%
State sources	5,226,579	5,449,539	(222,960)	-4.09%
Federal sources	1,089,711	929,805	159,906	17.20%
Total	<u>\$ 7,891,943</u>	<u>\$ 7,958,339</u>	<u>\$ (66,396)</u>	<u>-0.83%</u>

The decrease in state sources is due to the state budget cuts for all school districts and charter schools during the school-year 2010-2011. The increase in federal sources is due to an increase in the No Child Left Behind & IDEA stimulus (ARRA) funding.

The monies received from State and the number of children enrolled in our program determines Federal sources attributable to grants in aid. As our enrollment increases, we anticipate an increase in aid in the said programs.

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

<u>Expenditures</u>	<u>2011</u>	<u>2010</u>	<u>Increase/ (decrease)</u>	<u>% Change</u>
Instruction	\$ 3,324,980	\$ 3,599,317	\$ (274,337)	-7.62%
Administrative	2,652,458	2,434,947	217,511	8.93%
Support	1,357,540	1,551,977	(194,437)	-12.53%
Capital Outlay	517,958	319,650	198,308	62.04%
Total	<u>\$ 7,852,936</u>	<u>\$ 7,905,891</u>	<u>\$ (52,955)</u>	<u>-0.67%</u>

The slight decrease in total expenditures is consistent with the state budget cuts during the year.

8) **CASH MANAGEMENT**

The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”).

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **RISK MANAGEMENT**

The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation (see J-20).

10) **OTHER INFORMATION**

Independent Audit

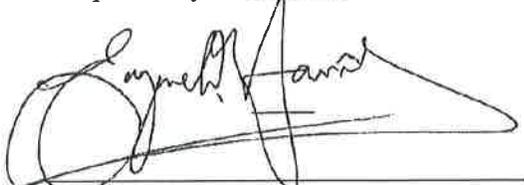
State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of TCBA Watson Rice LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.

The auditor's report on the general-purpose financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

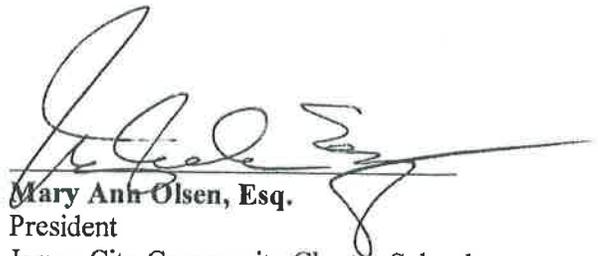
11) **ACKNOWLEDGMENTS**

We would like to express our appreciation to the members of the Jersey City Community Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Jersey City Public School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,



Eugene W. Harris
Chief School Administrator
Jersey City Community Charter School



Mary Ann Olsen, Esq.
President
Jersey City Community Charter School

ROSTER OF OFFICIALS

JUNE 30, 2011

Members of Board of Trustees

Mary Ann Olsen, Esq.	Baba Sulemana
Elnora Watson	Anne Rosario
Bettye Ingram	Noel Banks
David Asige	Eugene Harris ***
Olugbenga Olabintan, CPA***	

EXECUTIVE BOARD

Mary Ann Olsen, Esq.	President
Baba Sulemana	Vice President
Hillary Fraenkel, Esq.***	Attorney
Eugene Harris***	Chief Executive Officer
Olugbenga Olabintan, CPA***	School Business Administrator/ Board Secretary
Nora Galleros, CPA***	Treasurer of School Monies

*** Ex-officio

JERSEY CITY COMMUNITY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

TCBA Watson Rice LLP
Certified Public Accountants and Consultants
301 Route 17 North, 6th Floor
Rutherford, NJ 07070

Attorney

Marshall, Dennehey, Warner, Coleman & Goggin
Attorneys at Law
425 Eagle Rock Avenue, suite 302
Roseland, New Jersey 07068

Official Depositories

Bayonne Community Bank
104-110 Avenue C
Bayonne, New Jersey 07002

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Jersey City Community Charter School
Hudson County, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Jersey City Community Charter School, Inc., (the "Charter School") in Hudson County, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose 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 Charter School, as of June 30, 2011, and the respective changes in financial positions and cash flows, where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

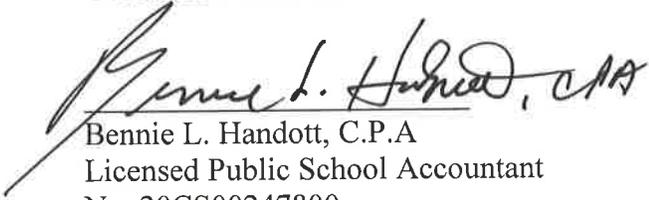
INDEPENDENT AUDITOR'S REPORT - CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 12, 2011, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read with the report in considering the results of our audit.

The Management Discussion and Analysis on pages 12 through 20 and Budgetary Comparison Information on pages 57 through 60 are not a required part of the basic financial statements but are supplementary information required by accounting principle generally accepted by United States of America. We have applied certain limited procedures, consisted of principally of inquiries of management regarding method of measurement of and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's 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. Additionally, the accompanying schedules 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

TCBA Watson Rice LLP
Certified Public Accountants and Consultants


Bennie L. Handott, C.P.A.
Licensed Public School Accountant
No. 20CS00247800



November 2, 2011

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENTS DISCUSSION AND ANALYSIS

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

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the Jersey City Community Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting Model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, an amendment to GASB Statement No 21 and No 34, issued in June 2001, and; in GASB Statement No 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

Financial Highlights

Key Financial highlights for the fiscal year 2011 are a follows:

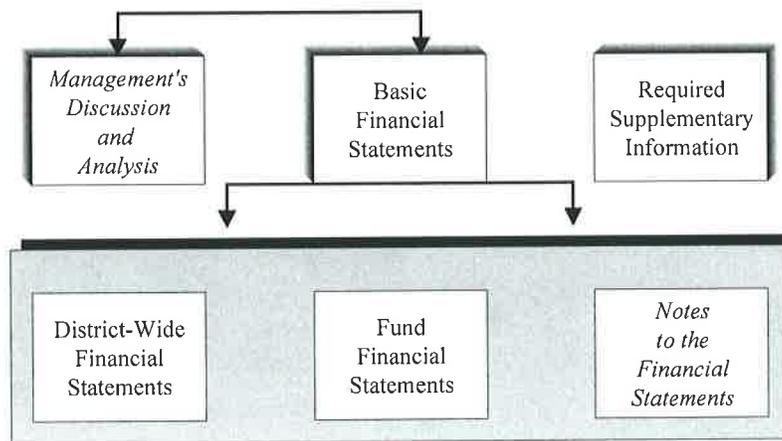
- In total, net assets decreased from \$(8,751) to \$(201,716). Net assets of governmental activities decreased by \$225,134 which represents a 172.02% decrease from fiscal year 2010 due to depreciation of fixed assets. Net assets of business-type activities, which represent food service operations, increased by \$32,169 or 26.34% from fiscal year 2010.
- General revenues accounted for \$6,802,232 in revenue or 86.19% of total revenues of \$7,891,943. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$1,089,711 or 13.81% of total revenues.
- The Charter school had \$8,117,077 in expenses related to governmental activities; \$1,089,711 of these expenses was offset by operating grants and contributions. General revenues (primarily Federal and State Aid) of \$6,802,232 were not adequate to provide for the balance of these programs.
- The General Fund reported fund balances at June 30, 2011, of \$584,767. General Fund's fund balance increased by \$39,007 over 2010. The increase was anticipated by the Board of the Charter School.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

Overview of the Financial Statements

This annual report consists of six parts-*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, *other supplementary information*, *the statistical section*, and the single audit section.

Table A-1. Required Components of the School's Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are Charter School *financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the district-wide statements.
 - *Governmental funds* statements tell how *basic* services such as regular and special education were financed in the *short term* as well as what remains for future spending.
 - *Proprietary funds* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

The financial statements also include *notes* that explain certain information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Table A-1 shows how the required parts of this annual report are arranged and related to one another.

	School-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: Food Service Fund and Extended Day Program	Instances in which the School administers resources on behalf of someone else, such as state unemployment insurance, payroll and payroll agency and student activities
Required financial statements	*Statements of Net Assets *Statements of Activities	*Balance Sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of Net Assets *Statement of revenues, expenditures and changes in fund net assets *Statement of cash flows	*Statement of Fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Actual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	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 thereafter; no capital assets or long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow 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 year, regardless of when cash is received or paid	All additions and dedications during the year; regardless of when cash is received or paid

Table A-2 summarizes the major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. The basic financial statements include two kinds of statements that present different views of the School:

- Charter School-Wide Statements
- Fund Financial Statements

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Jersey City Community Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the Statement of Activities, are governmental- wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Jersey City Community Charter School, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities; the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of other, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Reporting the Charter School as a Whole

Statement of Net Assets and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2011?" The statements of Net Assets and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Which measures cash and all other financial assets that can readily be converted to Cash. The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Assets and the Statement of Activities and the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. The table below provides a summary of the Charter School's net assets at June 30, 2011.

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current Assets	\$ 2,309,602	\$ 2,809,831	\$ 189,543	\$ 148,573	\$ 2,499,145	\$ 2,958,404
Capital Assets, net	9,872,425	7,307,927	-	-	9,872,425	7,307,927
Total Assets	12,182,027	10,117,758	189,543	148,573	12,371,570	10,266,331
Liabilities						
Current Liabilities	2,752,968	3,248,634	35,250	26,449	2,788,218	3,275,083
Long Term Liabilities	9,785,068	7,000,000	-	-	9,785,068	7,000,000
Total Liabilities	12,538,036	10,248,634	35,250	26,449	12,573,286	10,275,083
Net Assets						
Invested in Capital Assets -						
net of related debt	43,786	307,927	-	-	43,786	307,927
Unrestricted	(399,795)	(438,802)	154,293	122,124	(245,502)	(316,678)
Total Net Assets	\$ (356,009)	\$ (130,875)	\$ 154,293	\$ 122,124	\$ (201,716)	\$ (8,751)

**JERSEY CITY COMMUNITY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

The total net assets of the Charter School increased by \$2,105,240 during the current fiscal year ended June 30, 2011. The majority of the increase is attributable to the acquisition and renovation costs of the new Middle School building. However, management continued to keep overheads low while maintaining excellence in education.

The table that follows reflects the change in net assets for fiscal year 2011.

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 76,952	\$ 83,373	\$ 76,952	\$ 83,373
Operating grants and Contributions	\$1,089,711	\$929,805	276,544	275,987	1,366,255	1,205,792
Total Program Revenues	1,089,711	929,805	353,496	359,360	1,443,207	1,289,165
General Revenues:						
Local Aid	1,502,543	1,426,209	-	-	1,502,543	1,426,209
Federal and State Aid	5,226,579	5,449,539	-	-	5,226,579	5,449,539
Miscellaneous	73,110	152,786	-	-	73,110	152,786
Total General Revenues	6,802,232	7,028,534	-	-	6,802,232	7,028,534
Total Revenues	7,891,943	7,958,339	353,496	359,360	8,245,439	8,317,699
Expenses:						
Instructions	3,324,980	3,599,317	-	-	3,324,980	3,599,317
Support Services:						
Administrative and other support services	4,009,998	4,149,357	-	-	4,009,998	4,149,357
Unallocated Depreciation	782,099	572,673	-	-	782,099	572,673
Food Service	-	-	321,327	278,182	321,327	278,182
Total Expenses	8,117,077	8,321,347	321,327	278,182	8,438,404	8,599,529
Change in Net Assets	\$ (225,134)	\$ (363,008)	\$ 32,169	\$ 81,178	\$ (192,965)	\$ (281,830)

In 2011, total revenues decreased by \$72,260, about 0.87%. This was due to the state budget cuts for all school districts and charter schools partially offset by the Federal No Child Left Behind stimulus (ARRA) funding. Total expenses decreased by \$161,125 or about 1.87% consistent with the budget cuts.

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental Activities

The Charter School's total revenues were \$7,891,943 for 2011 and \$7,958,339 for 2010, respectively. This includes \$171,536 for 2011 and \$176,282 for 2010 of state reimbursed TPAF social security contributions, respectively.

The total cost of all program and services were \$8,117,077 for 2011 and \$8,321,347 for 2010, respectively. Instruction comprises 41% of Charter School expenses for 2011 and 43% for 2010.

Business-Type Activity

The business-type activity of the Charter School comprised of the food service and after school program operations. Both operations had total revenues of \$353,496 and operating expenses of \$321,327 for fiscal year 2011. The Charter School continued in its effort to have both the food services and after school programs be self-operating without assistance from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources of \$10,797,667 (of which \$2,905,724 was a loan fund for the purchase and renovations of the new Middle School building). Governmental funds had expenditures and other financing uses of \$10,758,660. The positive change in fund balance for the year was anticipated by the Board of the Charter School. Further, the Charter School prudently was able to timely implement all of its planned programs by the end of the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue -based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues and other financing sources were \$6,973,374 which included a local tax levy of \$1,502,543. Expenditures and other financing uses were budgeted at \$6,802,408. The Charter School anticipated a positive fund balance before other financing sources of \$664,278. In its 2010-2011 budget, General Fund expenses were less than revenues by \$170,966. Actual revenues were \$6,802,232 and expenditures were \$6,763,225.

The State of New Jersey reimbursed the Charter School \$171,536 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members. This unbudgeted amount is included in both revenues and expenditures.

JERSEY CITY COMMUNITY CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Capital Assets

At the end of fiscal year 2011, the Charter School had \$9,872,425 invested in capital assets all in governmental activities. Additions to capital assets in 2011 amounted to \$3,631,246 of which \$3,320,840 was as a result of the acquisition and renovations of the new Middle School building.

Long-term debt and capitalized lease obligations

At June 30, 2011, the Charter School had \$9,828,639 in long-term debt – mortgages on the school buildings. Of this total \$2,828,639 was the balance of the mortgage acquired during the year for the purchase of the new Middle School building. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. This impact the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2011-2012. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

JERSEY CITY COMMUNITY CHARTER SCHOOL
Business Office
128 Danforth Avenue
Jersey City, New Jersey 07305

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

EXHIBIT A-1

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,970,068	\$ 8,895	\$ 1,978,963
Accounts receivable	297,534	25,712	323,246
Interfunds receivables	-	154,936	154,936
Security deposit	42,000	-	42,000
Capital assets, net	9,872,425	-	9,872,425
Total Assets	<u>\$12,182,027</u>	<u>\$ 189,543</u>	<u>\$12,371,570</u>
 Liabilities and Net Assets			
<u>Liabilities</u>			
Accounts payable	\$ 744,655	\$ 32,665	\$ 777,320
Accrued salaries and benefits	714,880	2,585	717,465
Intergovernmental payables:			
State	51,502	-	51,502
Other	33,457	-	33,457
Interfund payables	180,341	-	180,341
Compensated absences payable	984,562	-	984,562
Current portion of long-term obligations	43,571	-	43,571
Noncurrent portion of long-term obligations	9,785,068	-	9,785,068
Total Liabilities	<u>12,538,036</u>	<u>35,250</u>	<u>12,573,286</u>
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	43,786	-	43,786
Unrestricted	(399,795)	154,293	(245,502)
Total Net Assets	<u>(356,009)</u>	<u>154,293</u>	<u>(201,716)</u>
 Total Liabilities and Net Assets	 <u>\$12,182,027</u>	 <u>\$ 189,543</u>	 <u>\$12,371,570</u>

See accompanying notes to financial statements.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Salaries	\$ 2,856,517		\$ 335,293	\$ (2,521,224)		\$ (2,521,224)
Professional /Technical service	219,045		128,713	(90,332)		(90,332)
Other purchased services	38,725		-	(38,725)		(38,725)
General educational supplies and textbooks	184,459		152,809	(31,650)		(31,650)
Other instructional expenses	26,234		-	(26,234)		(26,234)
Administrative & support services:						
Salaries	912,915		96,382	(816,533)		(816,533)
Unallocated benefit costs	1,285,704		67,726	(1,217,978)		(1,217,978)
Professional /Technical service	471,087		294,088	(176,999)		(176,999)
Other purchased services	238,375		8,700	(229,675)		(229,675)
Rent on land and buildings	13,655		-	(13,655)		(13,655)
Communications and telephones	17,544		-	(17,544)		(17,544)
Insurance-fidelity, liability property	84,050		-	(84,050)		(84,050)
Supplies and materials	94,196		6,000	(88,196)		(88,196)
Transportation	49,280		-	(49,280)		(49,280)
Energy costs	165,264		-	(165,264)		(165,264)
Interest on long term debt	620,140		-	(620,140)		(620,140)
Miscellaneous expenses	57,788		-	(57,788)		(57,788)
Unallocated depreciation	782,099		-	(782,099)		(782,099)
Total governmental activities	<u>8,117,077</u>		<u>1,089,711</u>	<u>(7,027,366)</u>		<u>(7,027,366)</u>
Business-type activities:						
Food service	321,327	\$ 76,952	276,544		\$ 32,169	32,169
Total business-type activities	<u>321,327</u>	<u>76,952</u>	<u>276,544</u>		<u>32,169</u>	<u>32,169</u>
Total primary government	<u>\$ 8,438,404</u>	<u>\$ 76,952</u>	<u>\$ 1,366,255</u>	<u>(7,027,366)</u>	<u>32,169</u>	<u>(6,995,197)</u>
General revenues, transfers and special items:						
Local sources				1,502,543	-	1,502,543
State sources				5,226,579	-	5,226,579
Miscellaneous				73,110	-	73,110
Total general revenues, transfers and special items				<u>6,802,232</u>		<u>6,802,232</u>
Change in net assets				(225,134)	32,169	(192,965)
Net assets - beginning				(130,875)	122,124	(8,751)
Net assets - ending				<u>\$ (356,009)</u>	<u>\$ 154,293</u>	<u>\$ (201,716)</u>

FUND FINANCIAL STATEMENTS

GOVERNMENT FUNDS FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,970,068	\$ -	\$ 1,970,068
Accounts receivable:			
State	48,854	-	48,854
Federal	-	211,491	211,491
Local	37,189	-	37,189
Interfund	-	-	-
Security deposit	42,000	-	42,000
Total assets	<u>\$ 2,098,111</u>	<u>\$ 211,491</u>	<u>\$ 2,309,602</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable & accrued expenses	\$ 698,659	\$ 45,996	\$ 744,655
Accrued salaries and benefits	625,727	89,153	714,880
Intergovernmental payables:	-	-	-
State	51,502	-	51,502
Deferred revenue	-	33,457	33,457
Interfund payables	137,456	42,885	180,341
Total liabilities	<u>1,513,344</u>	<u>211,491</u>	<u>1,724,835</u>
Fund balances:			
Unreserved, General Fund	584,767	-	584,767
Total fund balances	<u>584,767</u>	<u>-</u>	<u>584,767</u>
Total liabilities and fund balances	<u>\$ 2,098,111</u>	<u>\$ 211,491</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.

Cost of capital assets	12,620,038
Accumulated depreciation	<u>(2,747,613)</u>
	<u>9,872,425</u>

Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Compensated absences payable	(984,562)
Long-term obligations	<u>(9,828,639)</u>
	<u>(10,813,201)</u>

Net assets of governmental activities - A-1

\$ (356,009)

See accompanying notes to financial statements.

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Total
Revenues			
Local Sources:			
Local tax levy	\$ 1,502,543	\$ -	\$ 1,502,543
Interest income	7,230	-	7,230
Miscellaneous	65,880	-	65,880
Total revenues -local sources	<u>1,575,653</u>	-	<u>1,575,653</u>
State sources	5,226,579	-	5,226,579
Federal sources	-	1,089,711	1,089,711
Total revenues	<u>6,802,232</u>	<u>1,089,711</u>	<u>7,891,943</u>
Expenditures			
Instruction	2,708,165	616,815	3,324,980
Administrative	2,652,458	-	2,652,458
Support services	884,644	472,896	1,357,540
Capital outlay	517,958	-	517,958
Total expenditures	<u>6,763,225</u>	<u>1,089,711</u>	<u>7,852,936</u>
Surplus of revenue over expenditures before other financing sources	39,007	-	39,007
Other Financing Sources:			
Loan funds from Community Loans of New Jersey	2,905,724	-	2,905,724
Purchase cost of new building and other renovations costs	(2,905,724)	-	(2,905,724)
Surplus of revenue over expenditures after other financing sources	39,007	-	39,007
Fund balances, July 1, 2010	<u>545,760</u>	-	<u>545,760</u>
Fund balances, June 30, 2011	<u>\$ 584,767</u>	<u>\$ -</u>	<u>\$ 584,767</u>

See accompanying notes to financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (B-2) \$ 39,007

**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 expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Depreciation expense	(782,099)	
Capital outlays	<u>3,346,597</u>	2,564,498

Proceeds of long term loans are other sources of financing in the governmental funds, but the proceeds increases long term liabilities in the statement of net assets and is not reported in the statement of activities.

Proceeds of long term loans	(2,905,724)
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Repayment of principal portion of long term loans are expenditures 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.

Repayment of long term loan principal	77,085
---------------------------------------	--------

In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amounts exceeds the paid amount, the difference is a reduction in the reconciliation, when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.

Amount of compensated absences paid in excess of earned amount	<u>-</u>	-
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Change in net assets of governmental activities (A-2) \$ (225,134)

See accompanying notes to financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 8,895	\$ 8,895
Accounts receivable:			-
State	389	-	389
Federal	25,323	-	25,323
Interfund receivable	<u>23,933</u>	<u>131,003</u>	<u>154,936</u>
Total current assets	<u>\$ 49,645</u>	<u>\$ 139,898</u>	<u>\$ 189,543</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 22,070	\$ 10,595	\$ 32,665
Accrued salaries & benefits	940	1,645	2,585
Total current liabilities	<u>\$ 23,010</u>	<u>\$ 12,240</u>	<u>\$ 35,250</u>
Net assets			
Unrestricted	<u>\$ 26,635</u>	<u>\$ 127,658</u>	<u>\$ 154,293</u>
Total net assets	<u>\$ 26,635</u>	<u>\$ 127,658</u>	<u>\$ 154,293</u>

See accompanying notes to financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND**

EXHIBIT B-5

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2011**

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Operating Revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ 7,695	\$ -	\$ 7,695
Daily sales - after care program	-	69,257	69,257
Total Operating Revenues	<u>7,695</u>	<u>69,257</u>	<u>76,952</u>
Operating Expenses:			
Cost of sales	240,850	-	240,850
Other purchased service	16,754	31,678	48,432
Other costs	-	32,045	32,045
Miscellaneous	-	-	-
Total Operating Expenses	<u>257,604</u>	<u>63,723</u>	<u>321,327</u>
Operating income (loss)	<u>(249,909)</u>	<u>5,534</u>	<u>(244,375)</u>
Nonoperating Revenues:			
State sources:			
State School Lunch Program	4,221	-	4,221
Federal sources:			
National School Lunch Program	216,316	-	216,316
National School Breakfast Program	50,248	-	50,248
After School Snacks	5,759	-	5,759
Total Nonoperating Revenues	<u>276,544</u>	<u>-</u>	<u>276,544</u>
Change in Net Assets	26,635	5,534	32,169
Total Net Assets-Beginning of Year	<u>-</u>	<u>122,124</u>	<u>122,124</u>
Total Net Assets-End of Year	<u>\$ 26,635</u>	<u>\$ 127,658</u>	<u>\$ 154,293</u>

See accompanying notes to financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities	
Operating loss	\$ (244,375)
Adjustment to reconcile operating loss to net cash used in operating activities	
Changes in assets and liabilities:	
Decrease in accounts receivable	33,128
Increase in interfund receivable	(130,938)
Increase in accounts payable	9,169
Decrease in accrued salaries & benefits	<u>(368)</u>
Net cash used in operating activities	<u>(333,384)</u>
 Cash flows from noncapital financing activities	
Cash received from state reimbursements	4,221
Cash received from federal reimbursements	<u>272,323</u>
Net cash provided by noncapital financing activities	<u>276,544</u>
 Net decrease in cash and cash equivalents	 (56,840)
Cash and cash equivalents, beginning	<u>65,735</u>
Cash and cash equivalents, ending	<u>\$ 8,895</u>

See accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2011**

	Agency Fund Student Activity	Agency Fund Payroll	Total
Assets			
Cash and cash equivalents	\$ 7,069	\$ 45,207	\$ 52,276
Interfund receivable	-	25,396	25,396
Total assets	<u>\$ 7,069</u>	<u>\$ 70,603</u>	<u>77,672</u>
Liabilities and fund balances			
Liabilities:			
Payroll deductions and withholdings	\$ -	\$ 70,603	\$ 70,603
Due to student groups	7,069	-	7,069
Total liabilities	<u>7,069</u>	<u>70,603</u>	<u>77,672</u>
Net Assets			
Restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 7,069</u>	<u>\$ 70,603</u>	<u>77,672</u>

See accompanying notes to financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

Jersey City Community Charter School (the "Charter School") was incorporated in the State of New Jersey on March 13, 1997 as a not-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. Jersey City Community Charter School is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

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

B. Component Units:

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Basis of Presentation

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

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

D. Basic Financial Statements

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

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements – Continued

Fund Financial Statements

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

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

E. Governmental Funds

General Fund - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles, as they pertain to governmental entities, state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Governmental Funds – Continued

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2011 there was no Capital Projects Fund.

Debt Service Fund -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2011 there was no debt service fund.

F. Proprietary Funds

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

Enterprise Funds

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Proprietary Funds – Continued

Enterprise Funds – Continued

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

Internal Service (Self-Insurance) Fund

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Jersey City Community Charter School does not use self insurance fund.

G. Fiduciary Funds

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

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

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Measurement Focus and Basis of Accounting

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

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

Basis of Accounting

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Budgets/Budgetary Control

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

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year end. The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

J. Cash, Cash Equivalent and Investments

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

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Cash, Cash Equivalent and Investments – Continued

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

K. Tuition Payable

The Charter School did not send any of its students to any other Charter Schools during the fiscal year ended June 30, 2011.

L. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first- in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

M. Interfund Assets/Liabilities

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Capital Assets

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets. Capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000, as required by the State of New Jersey’s Department of Education.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 years
Building and Building Improvements	15 years
Furniture and Equipment	5 years

O. Compensated Absences

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. Deferred Revenue

Deferred revenue in special revenue fund represents cash that has been received but not yet earned.

Q. Accrued Liabilities and Long Term Obligation

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

R. Fund Balance

In the fund financial statements, governmental fund report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for specific future use. Designated fund balance represents plans for future use of financial resources.

S. Net Assets

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

Invested in Capital Assets, Net of Related Debt - the component of net asset that reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S. Net Assets

Restricted for Specific Purposes – the component of net assets that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

Restricted for Debt Service – the component of net assets that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Specific Purposes or Net Assets Restricted for Debt Service.

T. Contributed Capital

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

U. Interfund Transactions

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

V. Use of Estimates

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

W. On-Behalf Payments

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

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

Investments

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

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

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

	General Fund	Enterprise Services	Agency Fund	Total
Operating Account	\$ 1,233,945	\$ 8,895	\$ 52,276	\$ 1,295,116
Money Market Account	175,908	-	-	175,908
Certificate of Deposit	560,215	-	-	560,215
Total	<u>\$ 1,970,068</u>	<u>\$ 8,895</u>	<u>\$ 52,276</u>	<u>\$ 2,031,239</u>

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. All bank balances were covered by the federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey Statutes.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Risk Category

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

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

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

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

As of June 30, 2011, the Charter School has funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

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

As of June 30, 2011, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

3. RECEIVABLES

Receivables at June 30, 2011 consisted of accounts (tuition), intergovernmental, grants, and miscellaneous.

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

State Aid	\$	49,243
Federal Aid		236,814
Other		<u>37,189</u>
Total Receivables	\$	<u><u>323,246</u></u>

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**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

4. CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Capital assets not depreciated:			
Land	\$ 395,423	\$ 466,486	\$ 861,909
Renovations in progress	<u>284,650</u>	<u>(284,650)</u>	<u>-</u>
Total	<u>680,073</u>	<u>181,836</u>	<u>861,909</u>
Capital assets being depreciated:			
Buildings	8,020,266	3,139,004	11,159,270
Buildings improvements	248,980	-	248,980
Machinery and equipment	303,514	25,757	329,271
Furniture	<u>20,609</u>	<u>-</u>	<u>20,609</u>
Totals at historical cost	<u>8,593,369</u>	<u>3,164,761</u>	<u>11,758,130</u>
Less: accumulated depreciation			
Buildings	1,596,599	743,951	2,340,550
Buildings improvements	117,589	10,395	127,984
Machinery and equipment	230,718	27,753	258,471
Furniture	<u>20,609</u>	<u>-</u>	<u>20,609</u>
Total Accumulated Depreciation	<u>1,965,515</u>	<u>782,099</u>	<u>2,747,614</u>
Total capital assets being depreciated net of accumulated depreciation	<u>6,627,854</u>	<u>2,382,662</u>	<u>9,010,516</u>
Capital assets net	<u>\$ 7,307,927</u>	<u>\$ 2,564,498</u>	<u>\$ 9,872,425</u>

Depreciation expense of \$782,099 was charged to an unallocated function.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

6. MORTGAGE PAYABLE - CONTINUED

The Reinvestment Fund Loans-Continued

Both mortgages are collateralized by the land, building and building improvements and are due on February 27, 2024. The terms of the mortgages requires principal payments requires no monthly principal payments, only monthly interest payments. The interest rate on the \$5,740,000 Note is a variable equal to the 90-day LIBOR plus 230 basis points per annum ("LIBOR-Base Rate") as determined by the payee prior to the commencement of each 90 day Interest Period. Interest shall be calculated daily on the basis of the actual number of days elapsed over a 360 day year. The interest rate on the \$1,260,000 is a fixed rate at 3.39% per annum. The mortgages cannot be prepaid prior to January 1, 2014.

The Community Loan Fund of New Jersey Loans

On July 23, 2010, JCCCS entered into an acquisition/renovations mortgage agreements with Community Loan Fund of New Jersey for a total financing of \$3,228,200 - a building acquisition loan in the amount of \$2,855,000 and a Line of Credit in the amount of \$373,200. The entire \$2,855,000 loan and \$50,724 of the \$372,200 were used for the acquisition and renovations of the Middle School building at 16 Bentley Avenue, Jersey City, New Jersey. The \$50,724 balance of the second loan was fully liquidated prior to June 30, 2011.

The acquisition/renovation financing was converted into a permanent mortgage in the amount of \$2,855,000 as of January 1, 2011 after the completion of renovations. The loan is collateralized by the land, building and building improvements at 16 Bentley Avenue, Jersey City, New Jersey. It is fully amortizing over 25 years at a fixed interest rate of 7.25%, however it matures in five years with a balloon payment due December 31, 2015. The monthly payment of principal and interest is \$26,361.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

6. MORTGAGE PAYABLE - CONTINUED

The following are the future maturities of The Reinvestment Fund Loans and Community Loan Fund of New Jersey Loan:

<u>Year Ending</u> <u>June 30,</u>	<u>TRF Loans</u>	<u>Community Loan</u>	
		<u>Fund of NJ</u>	<u>Loan</u>
			<u>TOTAL</u>
2012	\$ -	\$ 43,571	\$ 43,571
2013	-	46,837	46,837
2014	-	50,154	50,154
2015	-	53,813	53,813
2016	-	2,634,264	2,634,264
Thereafter	7,000,000	-	7,000,000
Total	\$ 7,000,000	\$ 2,828,639	\$ 9,828,639

Total interest paid for both loans in 2011 charged to operations is \$625,868.

7. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the *Statement of Net Assets*:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2011</u>
Compensated Absences	\$ 822,129	\$ 162,433	\$ -	\$ 984,562
Mortgage obligations	<u>7,000,000</u>	<u>2,905,724</u>	<u>77,085</u>	<u>9,828,639</u>
Total long-term debt	<u>\$ 7,822,129</u>	<u>\$ 3,068,157</u>	<u>\$ 77,085</u>	<u>\$ 10,813,201</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

8. EQUIPMENT LEASE

The Charter School is currently leasing the following:

- Three (3) copiers commencing July 2007 for a period of sixty (60) months in the amount of \$2,495 per month.
- A printer commencing October 2006 for a period of thirty six (36) months in the amount of \$185 per month.
- A water purification equipment commencing May and July 2007 for sixty (60) months in the amount of \$300 per month.

The above leases are recorded as operating leases by the Charter School.

Total lease payments amounted to \$59,975 for the fiscal year ended June 30, 2011. Future minimum lease payments on equipment lease are as follows:

<u>Year Ending June 30,</u>	<u>Equipment Lease</u>
2012	\$ 33,538
2013	5,970
Thereafter	<u>-</u>
Total	<u>\$ 39,508</u>

9. NET ASSETS

As of June 30, 2011, governmental activities net assets consisted of the following components:

INVESTMENT IN CAPITAL ASSETS, <u>NET OF RELATED DEBT</u>	
Capital assets, net	\$ 9,872,425
Less: Long-Term obligations	<u>(9,828,639)</u>
(All long-term debt relates to capital assets)	<u>43,786</u>
 <u>UNRESTRICTED</u>	
Net assets not restricted above	<u>(399,795)</u>
NET ASSETS	<u><u>\$ (356,009)</u></u>

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

10. PENSION PLANS

a) Description of Plans

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

i. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as a January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

ii. Public Employees' Retirement System (PERS)

The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

10. PENSION PLANS – CONTINUED

b) Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A:for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the First day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

c) Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

10. PENSION PLANS – CONTINUED

c) Significant Legislation – Continued

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent of the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

d) Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 4.5 % and 3%, respectively of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

The Charter School's contribution to PERS for the year ended June 30, 2011 was \$218,686.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$171,536 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. These amounts have been included in the general-purpose financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

11. POST EMPLOYMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service.

The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

12. DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan which is administered by AXA Equitable Inc. permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

13. COMPENSATED ABSENCES

Charter School employees are granted sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave. Vacation days not used during the year may only be carried forward with approval from the Chief Executive Officer.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

13. COMPENSATED ABSENCES - CONTINUED

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

The liabilities for vested compensated absences of the proprietary fund types are recorded within those funds as the benefits accrued to employees. As of June 30, 2011, Charter School-wide compensated absences amounted to \$984,562.

14. RISK MANAGEMENT

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

Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

15. LITIGATIONS AND C ONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2011, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2011.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

15. LITIGATIONS AND CONTINGENCIES - CONTINUED

Department of Education Violation

In 2003, the New Jersey Department of Education Office of Accountability and Compliance reviewed the renovation work done at 128 Danforth Avenue, Jersey City, New Jersey and assessed a penalty to the Charter School in the amount of \$400,000 for non-competitive bidding for major construction. NJDOE agreed to accept payment in the 14 installments of \$28,571 per quarter commencing March 31, 2007. The outstanding amount as of June 30, 2011 was \$85,710.

Transportation Issue

The transportation of the Charter School's students (to and from school) is provided by the Jersey City Public Schools (JCPS) as part of the administrative fee (10%) that goes to the resident school district. The Charter School's transportation has been provided by the JCPS since 1997 as part of a bidding process which the JCPS conduct. It should be noted that the Jersey City Community Charter School does not directly transport any of its students to and from school.

It should also be noted that New Jersey Statute – Title 18A:39-1 states as follows: “Whenever in any district there are elementary school pupils who live more than two (2) miles from their public school of attendance or secondary school pupils who live more than two and a half (2 ½) miles from their public school of attendance, the district shall provide transportation to and from school for these pupils.”

It is the understanding of the Charter School that Jersey City Public Schools has complied and continues to comply with NJ Title 18A:39-1 in carrying out their obligations under the transportation agreement they have with the Charter School. The Charter School maintains that the “to and from” school transportation that the JCPS provided was for only eligible students.

Further, by their letter dated July 31, 2008 to the Charter School, the Jersey City Public Schools acknowledged a dispute (by the Charter School) of their billings. The Charter School is disputing billings submitted by the School District for several years. Pursuant to the dispute, the Charter School has accrued liabilities in its financial statements in the amount of \$222,972 through June 30, 2011. This is to recognize the liabilities, pending the complete resolution of all disputes.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

15. LITIGATIONS AND CONTINGENCIES - CONTINUED

Other Matters

Pending litigation

In May 2011, the Charter School did not renew the contract of its former Head of School. The separated employee has filed for an appeal of her dismissal with the State of New Jersey. The Charter School's exposure is uncertain as of the date of this report. However, the Charter School's insurance carrier has been notified for coverage on the defense and indemnification of any claims.

On-Going Forensic Audit

The Charter School's Board of Trustees has engaged the services of forensic auditors to review the contract awarding and procurement practices during the fiscal years ended June 30, 2010 and June 30, 2011. As of the date of this report, the results of the forensic audit has not been made public or finalized.

16. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the balance sheet date through the date of November 2, 2011 which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no other subsequent events have occurred which require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 GENERAL FUND
 BUDGET COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2011

EXHIBIT C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
Revenues					
Local Sources:					
Local tax levy	\$ 1,451,233	\$ (12,691)	\$ 1,438,542	\$ 1,502,543	\$ 64,001
Interest income	-	-	-	7,230	7,230
Miscellaneous	-	-	-	65,880	65,880
Total revenues -local sources	1,451,233	(12,691)	1,438,542	1,575,653	137,111
State sources	5,025,399	353,898	5,379,297	5,055,043	(324,254)
TPAF-Social Security	155,535	-	155,535	171,536	16,001
Total revenues	6,632,167	341,207	6,973,374	6,802,232	(171,142)
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	2,074,061	(217,040)	1,857,021	1,827,518	29,503
Other salaries of instruction	818,741	(125,035)	693,706	693,706	-
Professional /Technical service	5,000	85,332	90,332	90,332	-
Other purchased services	2,500	36,224	38,724	38,725	(1)
General educational supplies	125,000	(102,697)	22,303	22,303	-
Instructional text and books	72,000	(62,632)	9,368	9,347	21
Other instructional expenses	6,000	20,234	26,234	26,234	-
Total current expense	3,103,302	(365,614)	2,737,688	2,708,165	29,523
Administrative cost:					
Salaries	390,055	-	390,055	390,055	-
Total benefit costs	1,206,237	(13,905)	1,192,332	1,046,442	145,890
Professional /Technical service	112,388	64,511	176,899	176,899	-
Other purchased services	66,286	86,000	152,286	121,363	30,923
Communications and Telephones	29,775	(9,903)	19,872	17,544	2,328
Supplies and materials	40,000	11,153	51,153	51,153	-
Mortgage payments - interest	844,716	(224,576)	620,140	620,140	-
Miscellaneous expenses	64,032	(6,707)	57,325	57,326	(1)
Total administrative cost	2,753,489	(93,427)	2,660,062	2,480,922	179,140
Support services:					
Salaries	453,468	(26,990)	426,478	426,478	-
Purchased Professional /Technical service	32,500	(32,400)	100	100	-
Other purchased services	31,300	77,012	108,312	108,312	-
Rent on land and buildings	-	13,655	13,655	13,655	-
Insurance-fidelity, liability property	85,500	-	85,500	84,050	1,450
Supplies and materials	28,526	8,517	37,043	37,043	-
Non-mandated transport - to and fro school	25,000	(720)	24,280	24,280	-
Transportation costs	16,000	9,000	25,000	25,000	-
Energy costs	90,000	75,264	165,264	165,264	-
Miscellaneous	1,000	-	1,000	462	538
Total support services	763,294	123,338	886,632	884,644	1,988
Capital outlay:					
Instructional equipment	21,000	1,824	22,824	22,824	-
Non-instructional equipment	2,000	1,000	3,000	2,933	67
Purchased land/improvements - renovations of new building	40,000	375,117	415,117	415,116	1
Mortgage payments - principal	-	77,085	77,085	77,085	-
Miscellaneous	2,500	(2,500)	-	-	-
Total capital outlay	65,500	452,526	518,026	517,958	68
TPAF-Social Security	-	-	-	171,536	(171,536)
Total expenditures	6,685,585	116,823	6,802,408	6,763,225	39,183
Surplus of revenue over expenditures before other financing sources	(53,418)	224,384	170,966	39,007	131,959
Other Financing Sources:					
Loan funds from Community Loans of New Jersey	-	-	-	2,905,724	(2,905,724)
Purchase cost of new building and other renovations costs	-	-	-	(2,905,724)	2,905,724
Surplus of revenue over expenditures after other financing sources	(53,418)	224,384	170,966	39,007	131,959
Fund balances, beginning	347,777	(9,999)	337,778	545,760	207,982
Fund balances, ending	\$ 294,359	\$ 214,385	\$ 508,744	\$ 584,767	\$ 339,941

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SPECIAL REVENUE FUND
COMBINING BUDGET COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011**

EXHIBIT C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues					
Federal sources	\$ 1,089,711	\$ -	\$ 1,089,711	\$ 1,089,711	\$ -
Total revenues -all sources	<u>1,089,711</u>	<u>-</u>	<u>1,089,711</u>	<u>1,089,711</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	335,293	-	335,293	335,293	-
Purchased prof. and technical services	128,713	-	128,713	128,713	-
Other purchased prof. services	-	-	-	-	-
General supplies	152,809	-	152,809	152,809	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>616,815</u>	<u>-</u>	<u>616,815</u>	<u>616,815</u>	<u>-</u>
Support services					
Support salaries	96,382	-	96,382	96,382	-
Employee benefits	67,726	-	67,726	67,726	-
Purchased professional educational services	294,088	-	294,088	294,088	-
Other purchased services	8,700	-	8,700	8,700	-
Supplies	6,000	-	6,000	6,000	-
Support miscellaneous	-	-	-	-	-
Total support services	<u>472,896</u>	<u>-</u>	<u>472,896</u>	<u>472,896</u>	<u>-</u>
Total expenditures	<u>\$ 1,089,711</u>	<u>\$ -</u>	<u>\$ 1,089,711</u>	<u>\$ 1,089,711</u>	<u>\$ -</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SPECIAL REVENUE FUND
BUDGET COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011**

EXHIBIT C-2a

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues					
Federal sources	\$ 680,089	\$ -	\$ 680,089	\$ 680,089	\$ -
Total revenues -all sources	<u>680,089</u>	<u>-</u>	<u>680,089</u>	<u>680,089</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	279,293	-	279,293	279,293	-
Purchased prof. and technical services	102,514	-	102,514	102,514	-
Other purchased prof. services	-	-	-	-	-
General supplies	11,179	-	11,179	11,179	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>392,986</u>	<u>-</u>	<u>392,986</u>	<u>392,986</u>	<u>-</u>
Support services					
Support salaries	26,500	-	26,500	26,500	-
Employee benefits	48,140	-	48,140	48,140	-
Purchased professional educational services	203,763	-	203,763	203,763	-
Other purchased services	8,700	-	8,700	8,700	-
Supplies	-	-	-	-	-
Support miscellaneous	-	-	-	-	-
Total support services	<u>287,103</u>	<u>-</u>	<u>287,103</u>	<u>287,103</u>	<u>-</u>
Total expenditures	<u>\$ 680,089</u>	<u>\$ -</u>	<u>\$ 680,089</u>	<u>\$ 680,089</u>	<u>\$ -</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
AMERICAN RECOVERY AND REINVESTMENT ACT
BUDGET COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2011**

EXHIBIT C-2b

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues					
Federal sources	\$ 409,622	\$ -	\$ 409,622	\$ 409,622	\$ -
Total revenues -all sources	<u>409,622</u>	<u>-</u>	<u>409,622</u>	<u>409,622</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	56,000	-	56,000	56,000	-
Purchased prof. and technical services	26,199	-	26,199	26,199	-
Other purchased prof. services	-	-	-	-	-
General supplies	141,630	-	141,630	141,630	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>223,829</u>	<u>-</u>	<u>223,829</u>	<u>223,829</u>	<u>-</u>
Support services					
Support salaries	69,882	-	69,882	69,882	-
Employee benefits	19,586	-	19,586	19,586	-
Purchased professional educational services	90,325	-	90,325	90,325	-
Other purchased services	-	-	-	-	-
Supplies	6,000	-	6,000	6,000	-
Support miscellaneous	-	-	-	-	-
Total support services	<u>185,793</u>	<u>-</u>	<u>185,793</u>	<u>185,793</u>	<u>-</u>
Total expenditures	<u>\$ 409,622</u>	<u>\$ -</u>	<u>\$ 409,622</u>	<u>\$ 409,622</u>	<u>\$ -</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 6,802,232	[C-2] \$ 1,089,711
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>6,802,232</u>	[B-2] <u>1,089,711</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 6,763,225	[C-2] \$ 1,089,711
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 6,763,225</u>	[B-2] <u>\$ 1,089,711</u>

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

See independent auditors' report

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2011

	<u>Title 1 C/Year</u>	<u>Title 1 ARRA C/Year</u>	<u>Title 1-SIA ARRA C/Year</u>	<u>Title 1IA C/Year</u>	<u>IDEA-Basic C/Year</u>	<u>IDEA-Basic Carry Forward</u>	<u>IDEA-Basic ARRA</u>	<u>I.D.E.A Preschool ARRA</u>	<u>Total</u>
Revenues									
Federal sources	\$ 533,836	\$ 228,639	\$ 26,199	\$ 27,025	\$ 117,132	\$ 2,096	\$ 148,327	\$ 6,457	\$ 1,089,711
Total revenues -all sources	<u>533,836</u>	<u>228,639</u>	<u>26,199</u>	<u>27,025</u>	<u>117,132</u>	<u>2,096</u>	<u>148,327</u>	<u>6,457</u>	<u>1,089,711</u>
Expenditures									
Current Expenditures:									
Instruction:									
Salaries of teachers	208,252	56,000	-	-	71,041	-	-	-	335,293
Purchased prof. and technical services	75,489	-	26,199	27,025	-	-	-	-	128,713
Other purchased prof. services	-	-	-	-	-	-	-	-	-
General supplies and textbooks	9,000	135,173	-	-	83	2,096	-	6,457	152,809
Miscellaneous expenditures	-	-	-	-	-	-	-	-	-
Total instruction	<u>292,741</u>	<u>191,173</u>	<u>26,199</u>	<u>27,025</u>	<u>71,124</u>	<u>2,096</u>	<u>-</u>	<u>6,457</u>	<u>616,815</u>
Support services									
Support salaries	-	-	-	-	26,500	-	69,882	-	96,382
Employee benefits	28,632	11,200	-	-	19,508	-	8,386	-	67,726
Purchased professional educational services	203,763	20,266	-	-	-	-	70,059	-	294,088
Other purchased services	8,700	-	-	-	-	-	-	-	8,700
Supplies	-	6,000	-	-	-	-	-	-	6,000
Support miscellaneous	-	-	-	-	-	-	-	-	-
Total support services	<u>241,095</u>	<u>37,466</u>	<u>-</u>	<u>-</u>	<u>46,008</u>	<u>-</u>	<u>148,327</u>	<u>-</u>	<u>472,896</u>
Total expenditures	<u>\$ 533,836</u>	<u>\$ 228,639</u>	<u>\$ 26,199</u>	<u>\$ 27,025</u>	<u>\$ 117,132</u>	<u>\$ 2,096</u>	<u>\$ 148,327</u>	<u>\$ 6,457</u>	<u>\$ 1,089,711</u>

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2011, there was no capital project fund.

**ENTERPRISE FUNDS
DETAIL STATEMENTS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. Food Service Fund - provides for the operation of food services for the Charter School.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 8,895	\$ 8,895
Accounts receivable:			
State	389	-	389
Federal	25,323	-	25,323
Interfund receivable	<u>23,933</u>	<u>131,003</u>	<u>154,936</u>
Total current assets	<u>\$ 49,645</u>	<u>\$ 139,898</u>	<u>\$ 189,543</u>
Liabilities			
Current liabilities			
Accounts payable .	\$ 22,070	\$ 10,595	\$ 32,665
Accrued salaries & benefits	<u>940</u>	<u>1,645</u>	<u>2,585</u>
Total current liabilities	<u>23,010</u>	<u>12,240</u>	<u>35,250</u>
Net assets			
Unrestricted	<u>26,635</u>	<u>127,658</u>	<u>154,293</u>
Total Liabilities and Net Assets	<u>\$ 26,635</u>	<u>\$ 127,658</u>	<u>\$ 154,293</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED JUNE 30, 2011**

EXHIBIT G-2

	<u>Food Program</u>	<u>After Care Program</u>	<u>Total</u>
Operating Revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ 7,695	\$ -	\$ 7,695
Daily sales - after care program	<u>-</u>	<u>69,257</u>	<u>69,257</u>
Total Operating Revenues	<u>7,695</u>	<u>69,257</u>	<u>76,952</u>
Operating Expenses:			
Cost of sales	240,850	-	240,850
Other purchased service	16,754	31,678	48,432
Other costs	<u>-</u>	<u>32,045</u>	<u>32,045</u>
Total Operating Expenses	<u>257,604</u>	<u>63,723</u>	<u>321,327</u>
Operating income (loss)	<u>(249,909)</u>	<u>5,534</u>	<u>(244,375)</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	4,221	-	4,221
Federal sources:			
National School Lunch Program	216,316	-	216,316
National School Breakfast Program	50,248	-	50,248
After School Snacks	<u>5,759</u>	<u>-</u>	<u>5,759</u>
Total nonoperating revenues	<u>276,544</u>	<u>-</u>	<u>276,544</u>
Change in Net Assets	26,635	5,534	32,169
Total Net Assets-Beginning of Year	<u>-</u>	<u>122,124</u>	<u>122,124</u>
Total Net Assets-End of Year	<u>\$ 26,635</u>	<u>\$ 127,658</u>	<u>\$ 154,293</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities

Operating loss	\$ (244,375)
Adjustment to reconcile operating loss to net cash used in operating activities	
Changes in assets and liabilities:	
Decrease in accounts receivable	33,128
Increase in interfund receivable	(130,938)
Increase in accounts payable	9,169
Decrease in accrued salaries & benefits	(368)
Net cash used in operating activities	<u>(333,384)</u>

Cash flows from noncapital financing activities

Cash received from state reimbursements	4,221
Cash received from federal reimbursements	<u>272,323</u>
Net cash provided by noncapital financing activities	<u>276,544</u>

Net decrease in cash and cash equivalents	(56,840)
Cash and cash equivalents, beginning	<u>65,735</u>
Cash and cash equivalents, ending	<u>\$ 8,895</u>

**FIDUCIARY FUNDS
DETAIL STATEMENTS**

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2011 there was no non-expandable trust fund utilized by the Charter School.

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

AS OF JUNE 30, 2011

	<u>Agency Fund Student Activity</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 7,069	\$ 45,207	\$ 52,276
Interfund receivable	-	25,396	25,396
Total assets	<u>\$ 7,069</u>	<u>\$ 70,603</u>	<u>\$ 77,672</u>
Liabilities and Net Assets			
Liabilities:			
Payroll deductions and withholdings	\$ -	\$ 70,603	\$ 70,603
Due to student groups	<u>7,069</u>	<u>-</u>	<u>7,069</u>
Total Liabilities	<u>7,069</u>	<u>70,603</u>	<u>77,672</u>
Net Assets			
Restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 7,069</u>	<u>\$ 70,603</u>	<u>\$ 77,672</u>

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2011

	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
Student Activity Fund	\$ 34,124	\$ 67,583	\$ 94,638	\$ 7,069
Total assets	<u>\$ 34,124</u>	<u>\$ 67,583</u>	<u>\$ 94,638</u>	<u>\$ 7,069</u>

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS**

YEAR ENDED JUNE 30, 2011

	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
Assets				
Cash and cash equivalents	\$ 20,600	\$ 5,452,221	\$ 5,427,614	\$ 45,207
Interfund receivable	45,075	-	19,679	25,396
Total assets	<u>\$ 65,675</u>	<u>\$ 5,452,221</u>	<u>\$ 5,447,293</u>	<u>\$ 70,603</u>
Liabilities				
Accounts payable, payroll deductions and withholdings	\$ 65,675	\$ 5,452,221	\$ 5,447,293	\$ 70,603
Total liabilities	<u>\$ 65,675</u>	<u>\$ 5,452,221</u>	<u>\$ 5,447,293</u>	<u>\$ 70,603</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the Charter School. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding.

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS
 YEAR ENDED JUNE 30, 2011

Mortgage	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2010</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2011</u>
The Reinvestment Fund - Senior Loan						
Interest Only						
Old Loan Refinance and Renovation/ Construction of Premises - 128 Danforth Avenue - School Building	LIBOR plus 230 basis points	<u>\$ 5,740,000</u>	\$ 5,740,000	\$ -	\$ -	\$ 5,740,000
The Reinvestment Fund - Subordinate Loan						
Interest Only						
Old Loan Refinance and Renovation/ Construction of Premises - 128 Danforth Avenue - School Building	3.39%	<u>\$ 1,260,000</u>	1,260,000	-		1,260,000
Community Loan Fund of New Jersey Loan						
First Lien on New Middle School Buidling 16 Bentley Avenue, Jersey City	7.25%	<u>\$ 2,855,000</u>	-	2,855,000	26,361	2,828,639
Second Lien on New Middle School Buidling 16 Bentley Avenue, Jersey City	7.25%	<u>\$ 373,200</u>	-	50,724	50,724	-
			<u>\$ 7,000,000</u>	<u>\$ 2,905,724</u>	<u>\$ 77,085</u>	<u>\$ 9,828,639</u>

STATISTICAL SECTION

The Charter School has been in operation for eleven years. GASB requires that 10 years of statistical data be presented. State law usually grants charters for less than 10 years. Therefore, only statistical data for five years is available and has been presented. Each year thereafter, an additional year's data will be included up to 10 years.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

NET ASSETS BY COMPONENT

Last Eight Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities								
Invested in capital assets, net of related debt	\$ 43,786	\$ 307,927	\$ 560,949	\$ 2,163,087	\$ 638,110	\$ 623,962	\$ 524,963	\$ 525,641
Unrestricted	(399,795)	(438,802)	(328,816)	(276,384)	1,286,043	1,083,010	690,100	372,563
Total governmental activities net assets	<u>\$ (356,009)</u>	<u>\$ (130,875)</u>	<u>\$ 232,133</u>	<u>\$ 1,886,703</u>	<u>\$ 1,924,153</u>	<u>\$ 1,706,972</u>	<u>\$ 1,215,063</u>	<u>\$ 898,204</u>
Business-type activities								
Unrestricted	\$ 154,293	\$ 122,124	\$ 40,946	\$ 17,748	\$ 29,657	\$ 49,384	\$ 76,785	\$ 76,350
Total business-type activities net assets	<u>\$ 154,293</u>	<u>\$ 122,124</u>	<u>\$ 40,946</u>	<u>\$ 17,748</u>	<u>\$ 29,657</u>	<u>\$ 49,384</u>	<u>\$ 76,785</u>	<u>\$ 76,350</u>
School-wide								
Invested in capital assets, net of related debt	\$ 43,786	\$ 307,927	\$ 560,949	\$ 2,163,087	\$ 638,110	\$ 623,962	\$ 524,963	\$ 525,641
Unrestricted	(245,502)	(316,678)	(287,870)	(258,636)	1,315,700	1,132,394	766,885	448,913
Total charter school net assets	<u>\$ (201,716)</u>	<u>\$ (8,751)</u>	<u>\$ 273,079</u>	<u>\$ 1,904,451</u>	<u>\$ 1,953,810</u>	<u>\$ 1,756,356</u>	<u>\$ 1,291,848</u>	<u>\$ 974,554</u>

Notes

The Exhibit J-1 should contain information for the last 10 years. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

CHANGES IN NET ASSETS

Last Eight Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental activities								
Instruction								
Regular	\$ 3,324,980	\$ 3,599,317	\$ 4,325,367	\$ 3,392,605	\$ 2,670,253	\$ 2,475,798	\$ 2,327,328	\$ 2,009,528
Support Services:								
General administration	2,009,564	2,225,742	2,819,512	1,726,335	1,701,977	1,270,128	1,357,024	1,069,799
Other support services	1,380,294	1,380,294	697,856	1,267,699	1,022,591	819,864	613,053	724,852
Interest on long-term debt	620,140	543,321	511,993	507,743	163,968	70,549	77,753	-
Unallocated depreciation	782,099	572,673	575,159	130,151	134,085	133,812	136,390	130,591
Total governmental activities expenses	<u>8,117,077</u>	<u>8,321,347</u>	<u>8,929,887</u>	<u>7,024,533</u>	<u>5,692,874</u>	<u>4,770,151</u>	<u>4,511,548</u>	<u>3,934,770</u>
Business-type activities:								
Food service	321,327	278,182	324,040	302,699	319,439	322,754	272,058	262,893
Total business-type activities expense	<u>321,327</u>	<u>278,182</u>	<u>324,040</u>	<u>302,699</u>	<u>319,439</u>	<u>322,754</u>	<u>272,058</u>	<u>262,893</u>
Total district expenses	<u>8,438,404</u>	<u>8,599,529</u>	<u>9,253,927</u>	<u>7,327,232</u>	<u>6,012,313</u>	<u>5,092,905</u>	<u>4,783,606</u>	<u>4,197,663</u>
Program Revenues								
Governmental activities:								
Operating grants and contributions	1,089,711	929,805	40,472	647,207	803,575	548,459	573,586	500,104
Total governmental activities program revenues	<u>1,089,711</u>	<u>929,805</u>	<u>40,472</u>	<u>647,207</u>	<u>803,575</u>	<u>548,459</u>	<u>573,586</u>	<u>500,104</u>
Business-type activities:								
Charges for services								
Food service	76,952	83,373	76,092	49,151	77,984	67,414	79,996	80,611
Operating grants and contributions	276,544	275,987	271,146	241,639	221,728	227,939	192,497	180,245
Total business-type activities program revenues	<u>353,496</u>	<u>359,360</u>	<u>347,238</u>	<u>290,790</u>	<u>299,712</u>	<u>295,353</u>	<u>272,493</u>	<u>260,856</u>
Total district program revenues	<u>1,443,207</u>	<u>1,289,165</u>	<u>387,710</u>	<u>937,997</u>	<u>1,103,287</u>	<u>843,812</u>	<u>846,079</u>	<u>760,960</u>
Net (Expense)/Revenue								
Governmental activities	(7,027,366)	(7,391,542)	(8,889,415)	(6,377,326)	(4,889,299)	(4,221,692)	(3,937,962)	(3,434,666)
Business-type activities	32,169	81,178	23,198	(11,909)	(19,727)	(27,401)	435	(2,037)
Total district-wide net expense	<u>(6,995,197)</u>	<u>(7,310,364)</u>	<u>(8,866,217)</u>	<u>(6,389,235)</u>	<u>(4,909,026)</u>	<u>(4,249,093)</u>	<u>(3,937,527)</u>	<u>(3,436,703)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	1,502,543	1,426,209	1,262,595	1,616,213	1,092,558	1,037,269	929,762	967,433
Grants and contributions	5,226,579	5,449,539	5,718,432	4,470,194	3,774,115	3,664,137	3,260,324	2,689,477
Miscellaneous income	73,110	152,783	253,820	363,570	129,706	12,195	64,735	16,196
Total governmental activities	<u>6,802,232</u>	<u>7,028,531</u>	<u>7,234,847</u>	<u>6,449,977</u>	<u>4,996,379</u>	<u>4,713,601</u>	<u>4,254,821</u>	<u>3,673,106</u>
Business-type activities:								
Total business-type activities	-	-	-	-	-	-	-	-
Total district-wide	<u>6,802,232</u>	<u>7,028,531</u>	<u>7,234,847</u>	<u>6,449,977</u>	<u>4,996,379</u>	<u>4,713,601</u>	<u>4,254,821</u>	<u>3,673,106</u>
Change In Net Assets								
Governmental activities	\$ (225,134)	\$ (363,011)	\$ (1,654,568)	\$ 72,651	\$ 107,080	\$ 491,909	\$ 316,859	\$ 238,440
Business-type activities	32,169	81,178	23,198	(11,909)	(19,727)	(27,401)	435	(2,037)
Total district	<u>\$ (192,965)</u>	<u>\$ (281,833)</u>	<u>\$ (1,631,370)</u>	<u>\$ 60,742</u>	<u>\$ 87,353</u>	<u>\$ 464,508</u>	<u>\$ 317,294</u>	<u>\$ 236,403</u>

Notes

Exhibit J-2 is a ten year schedule. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

Fund Balances, Governmental Funds,
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
General Fund								
Reserved	\$ 43,786	\$ -	\$ -	\$ 1,069,829	\$ 638,110	\$ 623,962	\$ 524,963	\$ 525,641
Unreserved	(399,795)	545,760	493,312	1,161,855	1,286,043	1,083,010	690,100	372,563
Total general fund	<u>\$ (356,009)</u>	<u>\$ 545,760</u>	<u>\$ 493,312</u>	<u>\$ 2,231,684</u>	<u>\$ 1,924,153</u>	<u>\$ 1,706,972</u>	<u>\$ 1,215,063</u>	<u>\$ 898,204</u>
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:								
Special revenue fund	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes

Exhibit J-3 is a ten year schedule. The Charter School is not required by GASB to report years prior to the implementation date of Statement 44.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

EXHIBIT J-4

Changes in Fund Balances, Governmental Funds
Last Eight Fiscal Years
(Unaudited)

Function	2011	2010	2009	2008	2007	2006	2005	2004
Revenues								
Local tax levy	\$ 1,502,543	\$ 1,426,209	\$ 1,262,595	\$ 1,616,213	\$ 1,092,558	\$ 1,037,269	\$ 929,762	\$ 977,433
Miscellaneous	73,110	152,786	77,538	363,570	129,706	12,195	64,735	16,196
State sources	5,226,579	5,449,539	5,115,406	4,470,194	3,774,115	3,668,137	3,260,324	2,689,477
Federal sources	1,089,711	929,805	819,780	647,207	803,575	544,459	573,647	490,104
Total revenue	<u>7,891,943</u>	<u>7,958,339</u>	<u>7,275,319</u>	<u>7,097,184</u>	<u>5,799,954</u>	<u>5,262,060</u>	<u>4,828,468</u>	<u>4,173,210</u>
Expenditures								
Instruction:								
Salaries	\$ 2,856,517	\$ 3,323,568	\$ 3,240,363	\$ 3,005,088	\$ 2,419,447	\$ 2,271,315	\$ 2,113,580	\$ 1,734,463
Professional /Technical service	219,045	149,026	194,201	143,301	104,196	61,375	62,218	66,055
Other purchased services	38,725	23,437	19,684	26,590	32,763	15,273	21,726	12,242
General educational supplies & textbooks	184,459	84,211	205,936	201,062	102,116	94,659	114,392	185,536
Other instructional expenses	26,234	19,075	15,405	16,564	11,731	33,176	15,412	11,232
Support services:								
Salaries	912,915	906,146	868,688	801,534	671,171	570,705	551,612	496,711
Total benefit costs	1,285,704	1,384,285	1,141,456	850,645	950,310	701,971	635,344	508,814
Professional /Technical service	471,087	411,668	298,269	171,013	145,948	106,628	169,660	127,498
Other purchased services	238,375	200,424	238,946	260,494	127,992	182,398	245,437	138,558
Rent on land and buildings	13,655	285,648	283,253	327,142	268,298	176,139	145,863	222,408
Communications and telephones	17,544	13,657	13,921	15,354	11,801	9,439	12,033	8,851
Insurance-fidelity, liability property	84,050	72,446	79,758	76,682	77,022	83,097	66,917	53,471
Supplies and materials	94,196	115,689	116,887	76,721	69,243	63,872	60,471	60,134
Transportation	49,280	53,730	42,427	62,727	122,770	62,360	-	44,144
Energy costs	165,264	109,099	117,011	87,130	77,227	57,417	45,190	20,619
Interest on long term debt	620,140	543,321	511,993	507,743	163,968	70,549	77,753	-
Miscellaneous expenses	57,788	53,244	268,674	161,865	61,536	35,730	37,611	10,906
Capital outlay	517,958	319,650	1,356,818	340,960	179,382	232,811	135,712	1,101,418
Total expenditures	<u>7,852,936</u>	<u>8,068,324</u>	<u>9,013,690</u>	<u>7,132,615</u>	<u>5,596,921</u>	<u>4,828,914</u>	<u>4,510,931</u>	<u>4,803,060</u>
Excess of expenditures over revenues	39,007	(109,985)	(1,738,371)	(35,431)	203,033	433,146	317,537	(629,850)
Other financing sources/(uses):								
Long term debt	2,905,724	-	-	-	7,000,000	-	-	1,400,000
Operating transfers in/(out)	(2,905,724)	-	-	-	(1,513,084)	-	-	-
Total other financing sources/(uses)	-	-	-	-	5,486,916	-	-	1,400,000
Net change in fund balances	<u>\$ 39,007</u>	<u>\$ (109,985)</u>	<u>\$ (1,738,371)</u>	<u>\$ (35,431)</u>	<u>\$ 5,689,949</u>	<u>\$ 433,146</u>	<u>\$ 317,537</u>	<u>\$ 770,150</u>
Debt service as a percentage of noncapital expenditures	9.24%	7.54%	7.17%	8.08%	3.12%	1.56%	1.81%	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

EXHIBIT J-10

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

Ratios of Outstanding Debt by Type
Last Eight Fiscal Years

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total Charter School	Percentage of Personal Income	Per Capita
	<u>Mortgaged Loans</u>				
2004	\$ 1,400,000	\$ 1,400,000		0.02%	\$ 42
2005	1,327,200	1,327,200		0.02%	37
2006	1,256,363	1,256,363		0.01%	33
2007	7,000,000	7,000,000		0.07%	165
2008	7,000,000	7,000,000		0.15%	361
2009	7,000,000	7,000,000		0.15%	361
2010	7,000,000	7,000,000		0.15%	361
2011	9,828,639	9,828,639		0.11%	231

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

**DEMOGRAPHICS AND ECONOMIC STATISTICS
Last Eight Fiscal Years**

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2004	236,587	\$ 7,884,025,188	\$ 33,324	7.10%
2005	236,808	8,407,394,424	35,503	6.00%
2006	238,109	9,137,909,093	38,377	6.00%
2007	238,702	9,864,121,448	41,324	5.40%
2008	239,658	10,412,181,468	43,446	6.60%
2009	242,503	10,535,785,338	43,446	10.90%
2010	242,503	10,535,785,338	43,446	11.10%
2011	247,597	10,535,785,338	42,552	11.10%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

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

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

**PRINCIPAL EMPLOYERS
Current Year**

2011			
<u>Employer</u>	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
HealthCare Staffing and Consulting	2,000	1	1.67%
Deutsche Bank Trust Co., NJ Ltd	1,833	2	1.53%
Insurance Service Office, Inc.	1,217	3	1.01%
Fleet, NJ Company Development Corp.	1,000	4	0.83%
Equiserve, Inc.	850	5	0.71%
Provident Bank	850	6	0.71%
Bon Secours NJ Health System, Inc.	818	7	0.68%
JP Morgan Chase Bank	600	8	0.50%
Port Authority Trans-Hudson, Inc.	600	9	0.50%
Saint Francis Hospital, Inc.	600	10	0.50%
National Discount Broker Group, Inc.	568	11	0.47%
Lehman Commercial Paper, Inc.	525	12	0.44%
US News World Report, LLC	500	13	0.42%
Top Job Personnel, Inc.	500	14	0.42%
	<u>12,461</u>		<u>10.38%</u>

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

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

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

<u>Function/Program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction								
Regular	59	59	57	51	51	51	49	42
Special education	2.5	2.5	2.5	2.5	2	1	1	1
Other special education	0.5	0.5	0.5	0.5				
Support Services:								
General administration	6	6	6	5	5	5	5	5
Administrative Information Technology	1	1	1	1				
Plant operations and maintenance	7	7	8	8	6	4	4	3
Other support services	5.5	5.5	5.5	5.5	5	5	5	4
Food Service	4	4	4	4	4	2	3	4
Total	<u>86</u>	<u>86</u>	<u>84</u>	<u>78</u>	<u>73</u>	<u>68</u>	<u>67</u>	<u>59</u>

Source: Charter School Personnel Records

JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)

OPERATING STATISTICS

Last Eight Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2004	396	3,701,642	\$ 9,348	N/A	44.00	1:11	1:11	396.0	384	N/A	96.97%
2005	437	4,297,466	9,834	5.20%	51.00	1:11	1:11	437.0	419	10.35%	95.88%
2006	478	4,525,544	9,468	-3.73%	58.50	1:11	1:11	478.0	453	9.38%	94.77%
2007	487	4,582,400	9,409	-0.61%	60.00	1:11	1:11	487.0	453	1.88%	93.02%
2008	554	6,283,912	11,343	15.34%	54.50	1:11	1:11	554.0	527	15.90%	95.13%
2009	576	6,101,213	10,592	13.32%	55.50	1:11	1:11	576.0	546	20.50%	94.87%
2010	594	7,205,353	12,130	23.35%	55.50	1:11	1:11	594.0	564	24.27%	94.87%
2011	594	6,714,838	11,304	14.95%	55.50	1:11	1:11	594.0	564	24.27%	95.00%

Sources: District records

Note: Enrollment based on annual October district count.

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

EXHIBIT J-18

**School Building Information
Last Eight Fiscal Years**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Square Feet	42,000	42,000	42,000	33,000	24,000	24,000	24,000	24,000
Capacity (students)	594	594	594	594	500	500	450	400
Enrollment	594	576	576	553	487	478	437	396

Source: School Records

EXHIBIT J-19

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

**SCHEDULE OF ALLOWABLE MAINTENANCE
BY SCHOOL FACILITY
Last Eight Fiscal Years**

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

2004	\$ 406,790
2005	478,576
2006	563,878
2007	674,130
2008	855,920
2009	597,429
2010	587,605
2011	408,886
	-
Total	<u><u>\$4,573,214</u></u>

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

Source: District records

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(COUNTY OF HUDSON)**

INSURANCE SCHEDULE

**JUNE 30, 2011
(Unaudited)**

	<u>Coverage</u>
Commercial general liability:	
Property damage - each occurrence	\$ 6,000,000
Damage to rented premises	6,000,000
Personal injury and advertising injury	6,000,000
Medical expenses (any one person)	1,000
Products	6,000,000
Property:	
Blanket real and personal property	\$ 7,314,500
Workers Compensation & Employer's Liability	
Excess Liability - each accident	\$ 2,000,000
Excess Liability - each employee	2,000,000
Excess Liability - policy limit	2,000,000
Errors & Omissions	
Deductible per claim	\$ 3,000,000 5,000
Automobile:	
Combined single limit for bodily injury and property damage	\$ 6,000,000

Source: Charter School Records

SINGLE AUDIT SECTION

EXHIBIT K-1

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

The Honorable President and
Members of the Board of Trustees
Jersey City Community Charter School
Jersey City, Hudson County, New Jersey

We have audited the financial statements of Jersey City Community Charter School (“the Charter School”) in the county of Hudson, State of New Jersey as of and for the fiscal year ended June 30, 2011, and have issued our report thereon, dated November 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

Management of the Charter School is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the Charter School’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control over financial reporting.

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

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

Internal Control over Financial Reporting - Continued

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

We noted certain matters that we reported to the Board of Trustees of the Jersey City Community Charter School in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated November 2, 2011.

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

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

TCBA Watson Rice LLP



Bennie L. Hadnott, C.P.A.
Licensed Public School Accountant
No. 20CS00247800
November 2, 2011



EXHIBIT K-2

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON 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 President and
Members of the Board of Trustees
Jersey City Community Charter School
Jersey City, Hudson County, New Jersey

Compliance

We have audited the compliance of the of the of Jersey City Community Charter School (“the Charter School”) in the county of Hudson, State of New Jersey, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. The Charter School’s major federal and state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Charter School management. Our responsibility is to express an opinion on Charter School’s compliance based on our audit.

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04 - CONTINUED

Compliance – Continued

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and NJ OMB Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items 11-01 and 11-02.

Internal Control Over Compliance

The management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employee, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis.

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

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04 - CONTINUED

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

TCBA Watson Rice LLP



Bennie L. Hadnott, C.P.A.
Licensed Public School Accountant
No. 20CS00247800
November 2, 2011



JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2011

EXHIBIT K-3

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Program or Award Amount	Grant Period From - To	Balance at June 30, 2010	Adjustments	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011		
										Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education:												
Passed-Through State Department of Education												
Special Revenue Fund:												
Title I - FY 2010-2011	84.010	\$ 554,645	9/1/10-8/31/11	\$ -	\$ -	\$ -	\$ 476,680	\$ (533,836)	\$ -	\$ (57,156)	\$ -	\$ -
Title I ARRA - FY 2009-2011	84.389	360,466	7/1/09-8/31/11	(131,827)	-	-	287,265	(228,639)	-	(73,201)	-	-
Title I SIA - ARRA - FY 2009-2011	84.388	26,199	7/1/09-8/31/11	-	-	-	26,199	(26,199)	-	-	-	-
Title II, Part A - FY 2010-2011	84.367	35,763	9/1/10-8/31/11	-	-	-	22,118	(27,025)	-	(4,907)	-	-
Title II, Part D - FY 2010-2011	84.318	1,283	9/1/10-8/31/11	-	-	-	-	-	-	-	-	-
I.D.E.A FY 2010-2011	84.027	117,132	9/1/10-8/31/11	-	-	-	40,905	(117,132)	-	(76,227)	-	-
I.D.E.A - Part B Basic ARRA FY 2009-2011	84.391	180,002	7/1/09-8/31/11	-	-	-	180,002	(148,327)	-	-	31,675	-
I.D.E.A - Part B Preschool ARRA FY 2009-2011	84.392	6,457	7/1/09-8/31/11	-	-	-	6,457	(6,457)	-	-	-	-
Title I - FY 2009-2010	84.010	622,393	9/1/09-8/31/10	(622,393)	-	-	622,393	-	-	-	-	-
Title II, Part A - FY 2009-2010	84.367	41,810	9/1/09-8/31/10	(41,810)	-	-	41,810	-	-	-	-	-
Title II, Part D - FY 2009-2010	84.318	6,112	9/1/09-8/31/10	(6,112)	-	-	6,112	-	-	-	-	-
Title IV - FY 2009-2010	84.186	7,912	9/1/09-8/31/10	(7,912)	-	-	7,912	-	-	-	-	-
I.D.E.A Part B Basic - FY 2009-2010	84.027	112,407	9/1/09-8/31/10	(74,959)	-	-	77,055	(2,096)	-	-	-	-
I.D.E.A Part B Preschool - FY 2009-2010	84.173	1,783	9/1/09-8/31/10	-	-	-	1,783	-	-	-	1,783	-
Total U.S. Department of Education/		<u>2,074,364</u>		<u>(885,013)</u>	<u>-</u>	<u>-</u>	<u>1,796,691</u>	<u>(1,089,711)</u>	<u>-</u>	<u>(211,491)</u>	<u>33,458</u>	<u>-</u>
U.S. Department of Agriculture												
Passed-through State Department of Agriculture												
Enterprise Fund:												
National School breakfast program	10.553	50,248	7/1/10-6/30/11	-	-	-	45,518	(50,248)	-	(4,730)	-	-
National School breakfast program	10.553	48,278	7/1/09-6/30/10	(10,840)	-	-	10,840	-	-	-	-	-
National School lunch program	10.555	216,316	7/1/10-6/30/11	-	-	-	196,181	(216,316)	-	(20,135)	-	-
National School lunch program	10.555	209,549	7/1/09-6/30/10	(43,705)	-	-	43,705	-	-	-	-	-
After school snack	10.558	5,759	7/1/10-6/30/11	-	-	-	5,301	(5,759)	-	(458)	-	-
After school snack	10.558	7,156	7/1/09-6/30/10	(1,936)	-	-	1,936	-	-	-	-	-
Total U.S. Department of Agriculture/		<u>537,306</u>		<u>(56,481)</u>	<u>-</u>	<u>-</u>	<u>303,481</u>	<u>(272,323)</u>	<u>-</u>	<u>(25,323)</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 2,611,670</u>		<u>\$(941,494)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,100,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(236,814)</u>	<u>\$ 33,458</u>	<u>\$ -</u>
Total Expenditures of Federal Awards								<u>\$(1,362,034)</u>				

See notes to the schedule of expenditures of federal awards and state financial assistance.

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FISCAL YEAR ENDED JUNE 30, 2011

EXHIBIT K-4

State Grantor/Program Title	Grant or State Project Number	Grant Period	Program or Award Amount	Balance at June 30, 2010		Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	of Prior Years' Balances	Balance at June 30, 2011		
				Deferred Revenue (Accts Receivable)	Due to Grantor						(Accounts Receivable)	Deferred Revenue	Due to Grantor
State Department of Education													
General Fund:													
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 4,657,439	\$ -	\$ -	\$ -	\$ -	\$ 4,708,941	\$(4,657,439)	\$ -	\$ -	\$ -	\$ 51,502
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	4,843,641	113,596	-	-	-	-	-	(113,596)	-	-	-
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	78,854	-	-	-	-	78,854	(78,854)	-	-	-	-
TPAF-Social Security Reimbursements	11-495-034-5095-002	7/1/10-6/30/11	171,536	-	-	-	-	122,682	(171,536)	-	(48,854)	-	-
TPAF-Social Security Reimbursements	10-495-034-5095-002	7/1/09-6/30/10	178,929	(50,410)	-	-	-	50,410	-	-	-	-	-
Charter School Aid - Non Public	11-495-034-5120-071	7/1/10-6/30/11	260,736	-	-	-	-	260,736	(260,736)	-	-	-	-
Equipment grant	N/A	7/1/09-6/30/10	1,079	-	-	-	-	1,079	-	-	-	1,079	-
Total General Fund			<u>10,192,214</u>	<u>63,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,222,702</u>	<u>(5,168,565)</u>	<u>(113,596)</u>	<u>(48,854)</u>	<u>1,079</u>	<u>51,502</u>
Enterprise Fund:													
State School breakfast program	11-100-034-3350-021	7/1/10-6/30/11	-	-	-	-	-	-	-	-	-	-	-
State School breakfast program	10-100-034-3350-021	7/1/09-6/30/10	2,932	(665)	-	-	-	665	-	-	-	-	-
State School lunch program	11-100-010-3350-023	7/1/10-6/30/11	4,221	-	-	-	-	3,832	(4,221)	-	(389)	-	-
State School lunch program	10-100-010-3350-023	7/1/09-6/30/10	8,072	(1,694)	-	-	-	1,694	-	-	-	-	-
Total Enterprise Fund			<u>15,225</u>	<u>(2,359)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,191</u>	<u>(4,221)</u>	<u>-</u>	<u>(389)</u>	<u>-</u>	<u>-</u>
Totals				<u>\$ 60,827</u>				<u>\$ 5,228,893</u>		<u>\$ (49,243)</u>	<u>\$ 1,079</u>	<u>\$ 51,502</u>	
Total Expenditures of State Financial Assistance									<u>\$(5,172,786)</u>				

See notes to the schedule of expenditures of federal awards and state financial assistance.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance present the activity of all state award programs of the Board of Trustees, Marion P. Thomas on the Charter School. The board of trustees is defined in Note 1 to the Board's general-purpose financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the modified accrual basis of accounting with the exception of those recorded in the special revenue, which are presented using the budgetary basis of accounting. These basis of accounting are described in Note 1 to the Board's general-purpose financial statements.

3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

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

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's general-purpose financial statements. The general-purpose financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. 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 Charter School's general-purposes financial statements on a GAAP basis as follows:

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE – CONTINUED**

**3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS -
CONTINUED**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 5,169,644	\$ 5,169,644
Special Revenue Fund	1,089,711	-	1,089,711
Enterprise Fund	272,323	4,221	276,544
Total	<u>\$ 1,362,034</u>	<u>\$ 5,173,865</u>	<u>\$ 6,535,899</u>

4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

5. ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiency(cies) identified that are not
Considered to be material weaknesses? _____ Yes None reported

Noncompliance material to basic financial statements noted? _____ Yes No

Federal Awards

Internal control over compliance:

Material weakness(es) identified? _____ Yes No

Significant deficiency(cies) identified? _____ Yes None reported

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

Unqualified

Any audit findings disclosed that are required to be reported
In accordance with (Section .510(a)) of OMB Circular A-133 _____ Yes No

Identification of Major Federal Award Programs:

CFDA Number(s).

Name of Federal Program or Cluster

84.010
84.389 – ARRA

U.S. Department of Education, Title I, Part A Cluster
Title I Grants to Local Educational Agencies
Title I Grants to Local Educational Agencies – Recovery Act

84.027
84.391 – ARRA
84.392 – ARRA

U.S. Department of Education, Special Education Cluster
Special Education - Grants to State
Special Education - Grants to State – Recovery Act
Special Education - Preschool Grants – Recovery Act

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

Federal Awards – Continued

Identification of Major Federal Award Programs – Continued :

<u>CFDA Number(s).</u>	<u>Name of Federal Program or Cluster</u>
10.553	<i>U.S. Department of Agriculture, Child Nutrition Cluster</i>
10.555	School Breakfast Program National School Lunch Program

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

Auditee qualified as low-risk auditee? Yes No

State Awards

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

Auditee qualified as low-risk auditee? Yes No

Internal control over compliance:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified? Yes None reported

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 04-04? Yes No

Identification of Major State Financial Assistance Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
10-495-034-5120-078	Equalization Aid

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

SECTION II FINANCIAL STATEMENT FINDINGS

Internal Control Over Financial Reporting

None noted.

Compliance and Other Matters

None noted.

**SECTION III FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS**

Federal Awards Findings

Finding 11-01

Information on Federal Program

CFDA No.

84.027/391-ARRA/392-ARRA

Federal Awarding Agency / Program Name

*U.S. Department of Education,
Special Education Cluster*

Criteria or Specific Requirement

34 CFR 300.18(b)(1) *Requirements for special education teachers in general.*

When used with respect to any public elementary school or secondary school special education teacher teaching in a State, highly qualified requires that:

- (i) The teacher has obtained full State certification as a special education teacher (including certification obtained through alternative routes to certification), or passed the State special education teacher licensing examination, and holds a license to teach in the State as a special education teacher, except that when used with respect to any teacher teaching in a public charter school, highly qualified means that the teacher meets the certification or licensing requirements, if any, set forth in the State's public charter school law;
- (ii) The teacher has not had special education certification or licensure requirements waived on an emergency, temporary, or provisional basis; and

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION III FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS - CONTINUED**

Federal Awards Findings - Continued

Finding 11-01 – Continued

Criteria or Specific Requirement – Continued

(iii)The teacher holds at least a bachelor's degree.

Condition

We noted during the audit that a teacher, who did not have the complete requirements needed to teach special education students, was used to substitute on a temporary basis for the special education teacher who went on maternity leave.

Questioned Costs

None.

Context

The Charter School's duly certified Special Education teacher had to go on maternity leave during the year, and a substitute teacher had to be identified for the remainder of the school year to minimize instructional interruptions.

Effect

The Charter School, in using a teacher who does not have the complete requirements needed can risk of having the funds paid to this substitute teacher disallowed.

Cause

The Charter School needed to fill the open position with a substitute teacher to avoid disrupting the special needs teaching instructional services during the school year.

Recommendation

We recommend for the Charter School that when a teacher is used to substitute for special education, the school should be careful to be in compliant with the requirements applicable under 34 CFR 300.18(b)(1).

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION III FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS - CONTINUED**

Federal Awards Findings - Continued

Finding 11-01 – Continued

Management's Response:

The licensed special education teacher went on maternity leave from December 2010 to March 2011, a period of four months. It is a known fact that Special Education teachers are not available in large numbers in the State of New Jersey. We did make concerted efforts to try and hire a licensed substitute for the period of the maternity leave without any success. It is pertinent to note that this was an isolated instance. The Charter School is not in the practice of using unlicensed employees in positions that require appropriate licenses. We will ensure that licensed teachers are used in the future.

Finding 11-02

Information on Federal Program

CFDA No.

Federal Awarding Agency / Program Name

10.553/555

*U.S. Department of Agriculture
Child Nutrition Cluster*

Criteria or Specific Requirement

Child Nutrition Cluster Compliance Supplement states that:

“By November 15th of each school year, the local education agency (LEA) (or State in certain cases) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the LEA is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1st.

A State agency may, with FNS approval, assume from LEAs under its jurisdiction the responsibility for performing the verifications. If the LEA performs the verification function it must be in accordance with instructions provided by the State agency. The LEA must follow-up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.”

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION III FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS - CONTINUED**

Federal Awards Findings - Continued

Finding 11-02 – Continued

Criteria or Specific Requirement - Continued

The June 30, 2011 Audit Guide Issued by the State of New Jersey further states the following:

“Beginning with school year 2010-11, the charter school must electronically transmit the two parts of the Verification Summary Report. Part 1 of the Verification Summary Report transmits enrollment and total applications (by category) on file as of October 1 and is due by October 15.

Auditors should be aware that the report electronically calculates the number of applications the charter school must verify. Part 2 of the Verification Summary Report is due by March 1, and includes the charter school’s reporting of the results of the verification process performed pursuant to Part 1.”

Condition

During the audit, we noted that income verification reports required by the State were not submitted on time. To wit:

REQUIREMENT	JCCCS’ RECORDS
Part I – Due on October 15, 2010	Submitted on October 26, 2010
Part II – Due on March 1, 2011	Submitted on March 16, 2011

Questioned Costs

None.

Context

The Charter School was unable to keep track of the reporting deadlines imposed by the State of New Jersey on income verification procedures, as outlined on the September 23, 2010 memorandum issued by the State of New Jersey’s Department of Agriculture.

Effect

The Charter School is non-compliant with the special tests and provisions applicable to the Child Nutrition Cluster funds it’s received during the fiscal year.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION III FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS - CONTINUED**

Federal Awards Findings - Continued

Finding 11-02 – Continued

Cause

The Charter School was unable to keep track of the reporting deadlines imposed by the State of New Jersey on income verification procedures.

Recommendation

We recommend for the Charter School to be cognizant of the reporting deadlines imposed by the State and exert every effort in complying with those reporting deadlines.

Management's Response:

We will strive to strictly adhere to all reporting deadlines in the future.

State Financial Assistance Findings

None noted.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

SECTION IV - SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS

Federal Awards Finding

Finding 10-01

Information on federal program:

<u>CFDA No.</u>	<u>Federal Awarding Agency / Program Name</u>
10.553/555	U.S. Department of Agriculture / Child Nutrition Cluster
84.010/389	U.S. Department of Education / Title I, Part A Cluster - Grants to Local Educational Agencies

Criteria or Specific requirement

The OMB Circular A-133 (§___. 320(b)) requires auditees to submit a completed Data Collection Form (SF-SAC), along with other specified reports, to the Federal Clearinghouse designated by OMB (currently the U.S. Bureau of the Census) within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition

During our audit, we noted that the Charter School has not submitted its Data Collection Form for the fiscal year ended June 30, 2009.

Current Year Status

The condition no longer exists. The June 30, 2009 Data Collection Form was submitted to the Federal Audit Clearinghouse on December 15, 2010.