

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

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**JUNE 30, 2011**  
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# NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

September 15, 2011

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

Dear Commissioner:

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

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

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

North Star was chartered by The New Jersey Department of Education as one of the state's very first charter schools in January 1997. The school opened its doors to its first 72 students – 36 fifth graders and 36 sixth graders – in September 1997. Since that time, the school has served 108 students from the fifth to seventh grade in September 1998, 144 students from the fifth to eighth grade in September 1999, and 180 students from the fifth to the ninth grade in September 2000, in accordance with its amended charter. In the 2001-2002 school year, North Star served 216 students and in the 2002-2003 school year, served 240 students from the 5<sup>th</sup> to the 11<sup>th</sup> grades. In the 2003-2004 school year, North Star served 270 students from the 5<sup>th</sup> to the 12<sup>th</sup> grades. In 2004-2005 North Star served 300 students. In 2005-06, North Star served 379 students. In 2006-2007 North Star served 445 students. In 2007-2008, North Star served 78 students in kindergarten and 505 in grades 5-12. In 2008-09, North Star served 760 students in grades K-1 and 5-12. In 2008-09, North Star served 902 students in grades K-2 and 5-12. In 2010-11, North Star served 1,255 students in grades K-3 and 5-12.

North Star operates an extended school year. Students attend classes from 8:00 to 4:00, which is more than an hour longer than most public schools. In addition, programs are available from 7:30 a.m. to 5:00 p.m. There are approximately 25 students per class. Students wear uniforms. Parents are heavily involved in school activities and governance. Teachers are recruited nationally.

- 2) **ENROLLMENT OUTLOOK:** North Star has enrolled 1,255 students, over six campuses; three middle schools, one high school and two elementary schools for the 2010–2011 school year.
- 3) **MAJOR ACCOMPLISHMENTS** – In 2010–2011, North Star students maintained in excess of 96% attendance rate for the twelfth consecutive year. Parents and students reported a high level of satisfaction in all areas. Fifth, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 11<sup>th</sup> grade test scores were well above district averages in all areas: math, language, arts, and science. Every member of the senior class graduated and planned to attend four year colleges. The school has more than 2,275 students on a waiting list. The school was the most widely visited charter school in the state.
- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance 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 school also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable

laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the school management.

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

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the school maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the school and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2011.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1.

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the school continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2011.

Revenue	Amount	Percent of Total
Local	\$ 2,178,570	10%
State	15,983,999	75%
Federal	1,764,866	8%
Philanthropic Support	846,710	4%
Enterprise Fund	<u>671,902</u>	<u>3%</u>
Total	<u>\$21,446,047</u>	<u>100%</u>

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

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>
Current - General Fund	\$ 18,467,579	88%
Special Revenue Fund	1,964,866	9%
Enterprise Fund	<u>671,555</u>	<u>3%</u>
Total	<u>\$ 21,104,000</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) **OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by an independent Certified Public Accountant (CPA) or, Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the state Treasury Circular letter 04-04 OMB. The auditor’s report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial statement of this report. The auditor’s reports related specifically to the single audit act are included in the single audit section of this report.

Respectfully submitted,



Michael Ambriz  
 Chief Operating Officer  
 Lead Person

**ROSTER OF TRUSTEES AND OFFICERS  
JUNE 30, 2011**

<b><u>BOARD OF DIRECTORS</u></b>	<b><u>TERM EXPIRES</u></b>
Rick Rieder, (Chair)	6/2013
Micheal Lytle, Trustee	9/2012
Robert Howitt, Trustee	6/2013
Gia Rys, Trustee	6/2012
Nicole Albano, Trustee	6/2012
Crystal Wortham, Trustee	9/2011
Paul Bambrick-Santoyo, (Secretary)	6/2012
Trisha Scipio-Derrick, Trustee	9/2011
Ravi Bellur, Trustee	6/2013

**Other Officers**

Carolyn Hack, Treasurer  
James Verrilli, Downtown Middle School Principal & Co-Founder  
Julie Jackson, Founding Vailsburg Elementary School Principal  
Michael Mann, High School Head of School  
Jesse Rector, Clinton Hill Middle School Principal  
Aja Settles, West Side Park Elementary School Principal  
Serena Savarirayan, Vailsburg Middle School Principal  
Michael Ambriz, Chief Operating Officer/Lead Person & Vice-President

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Scott J. Loeffler, CPA  
7 Cleveland Street  
Caldwell, New Jersey 07006

**ATTORNEYS**

Nicole Albano, Esq.  
Lowenstein Sandler  
65 Livingston Avenue  
Roseland, NJ 07068

**OFFICIAL DEPOSITORY**

Sovereign Bank  
905 Broad Street  
Newark, New Jersey 07102

## **FINANCIAL SECTION**

**SCOTT J. LOEFFLER**  
CERTIFIED PUBLIC ACCOUNTANT  
P. O. BOX 553  
EAST HANOVER, NEW JERSEY 07936

TELEPHONE  
973-585-4989

FAX  
973-240-7318

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

**Independent Auditor's Report**

The Honorable Chairman and  
Members of the Board of Trustees  
North Star Academy Charter School of Newark  
County of Essex  
Newark, New Jersey

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 15, 2011 on my consideration of the North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the North Star Academy Charter School of Newark Board of Trustee'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. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

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

Licensed Public School Accountant No. 870

A handwritten signature in cursive script that reads "Scott J. Loeffler CPA". The signature is written in black ink and includes the letters "CPA" at the end.

Scott J. Loeffler CPA  
September 15, 2011

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

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

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2010-11) and the prior year (2009-10) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

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

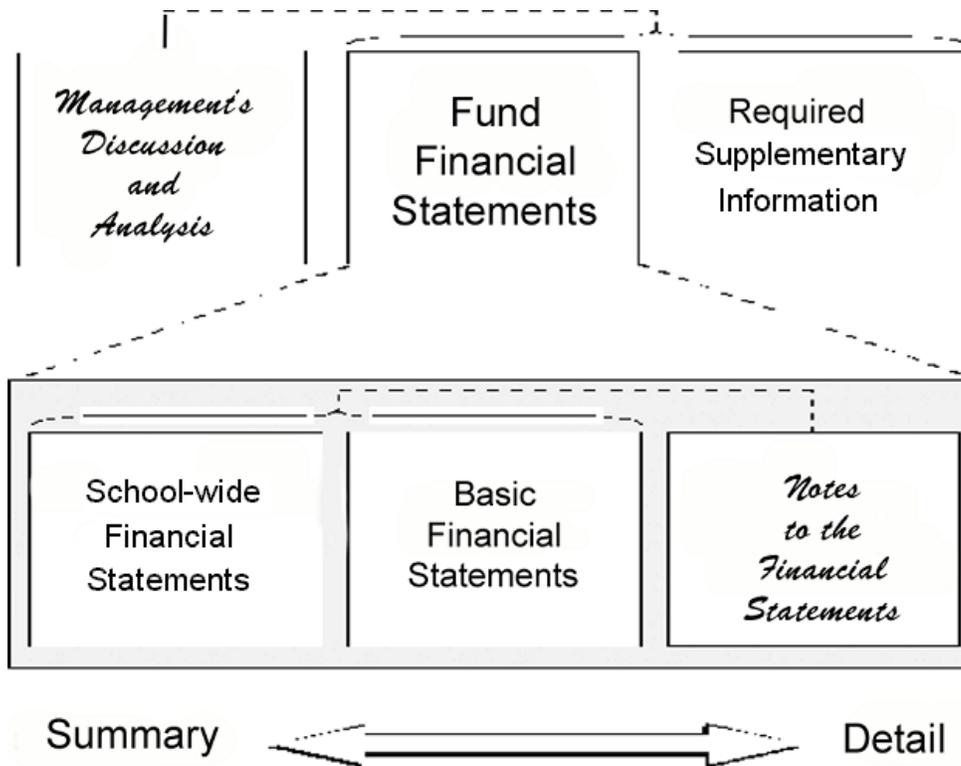
- Net assets were \$6,010,848.
- Net Assets increased by \$1,185,924 from July 1, 2010 to June 30, 2011.
- The General Fund balance at June 30, 2011 is \$3,148,080, an increase of \$341,700 when compared with the beginning balance at July 1, 2010.
- The Enterprise Fund balance at June 30, 2011 is \$8,078, an increase of \$347 when compared with the beginning at July 1, 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

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



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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

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

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

**School-wide Statements**

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

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

- Over time, increases or decreases in the North Star Academy Charter School of Newark's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

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

- *Governmental activities*- Most of the North Star Academy Charter School of Newark's basic services are included here, such as regular and special education, transportation, administration, food services, and community education.
- *Business-type activities*- The North Star Academy Charter School of Newark's Food Service Fund is included here.

**Fund Financial Statements**

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

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

- Some funds are required by State law.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management’s Discussion and Analysis**  
**Year Ended June 30, 2011**

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

The North Star Academy Charter School of Newark has three kinds of funds:

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

**FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL AS A WHOLE**

**Net assets.** The North Star Academy Charter School of Newark’s net assets are \$6,010,848 on June 30, 2011. (See Table A-1).

Governmental	\$ 6,002,770
Business Activities Food Service	<u>8,078</u>
Total	<u>\$ 6,010,848</u>

The assets of \$2,854,690 reflects total capital assets at net of assumed depreciation from inception.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

The North Star Academy Charter School of Newark's financial position is the product of these factors:

- Total revenues during the 2010-11 school year were \$21,446,047.
- Total expenditures were \$21,104,000.

**Table A-1**  
**The North Star Academy Charter School**  
**Statement of Net Assets**  
**As of June 30, 2011**

	<u><b>Total</b></u>
Current and Other Assets	3,425,882
Capital Assets (Including Business Activities)	2,854,690
<b>Total Assets</b>	<u><b>\$6,280,572</b></u>
Long-Term Liabilities	-
Other Liabilities	269,724
<b>Total Liabilities</b>	<u><b>\$269,724</b></u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	2,854,690
Unrestricted Enterprise Fund	8,078
General Fund	3,148,080
<b>Total Net Assets</b>	<u><u><b>\$6,010,848</b></u></u>

Total Governmental and Business Activities revenues and beginning assets minus net adjusted expenditures resulting in a calculation of net assets of \$6,010,848 on June 30, 2011.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

**Table A-2**  
**The North Star Academy Charter School**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2011**

<u>Revenues</u>	<u>Total</u>
Program revenues	
Charges for services	---
Operating grants and contributions	
General revenues	
Local Share	2,178,570
State Aid-Unrestricted	15,983,999
Federal and State Aid-Restricted	1,964,866
Philanthropic Support	646,710
Enterprise Fund	671,902
Increase in Net Capital Outlay	843,877
<b>Total revenues</b>	<b>\$ 22,289,924</b>
<b>Expenses</b>	
Regular Instruction	10,361,359
General Administrative	5,506,704
School Administrative	3,150,008
On-behalf TPAF Social Security and Pension	474,410
Capital Outlay	939,964
Food Service	671,555
<b>Total expenses</b>	<b>\$ 21,104,000</b>
Increase (Decrease) in net assets	1,185,924
Net Assets, Beginning July 1	4,824,924
Net Assets, End of Year June 30	<b>\$ 6,010,848</b>

**Changes in Net Assets.** The North Star Academy Charter School of Newark's total revenues were \$21,446,047. Local shares of \$2,178,570 represented 10% of revenues. The state aid of \$15,983,999 represented 75% of revenues. The philanthropic support of miscellaneous revenues of \$646,710 represented 3% of revenues. The Special Revenue Fund revenues total \$1,964,866 and the Proprietary Fund (food service) total \$671,902. The revenues represent 9% and 3% respectfully.

The North Star Academy Charter School of Newark's expenses of \$21,104,000 are predominantly related to instruction and support services. Instruction expenditures totaled \$10,361,359 (49%) (of total expenditures.) Support services, are \$10,071,086 (48%) of total expenditures) and Food Service Enterprise Expenditure is \$671,555 (3%).

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

Total revenues of the exceeded expenditure, increasing net assets \$1,185,577 in the General Fund Balance and an increase of \$347 in the Enterprise's Funds net asset balance from the beginning balance at July 1, 2010.

**Table A-3 (See Exhibit A-2)**  
**The North Star Academy Charter School**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2011**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>Governmental Activities</b>			
Instruction			
Regular	B-2	10,361,359	10,361,359
<b>Support Services</b>			
General Administrative Services	B-2	5,506,704	5,506,704
School Administrative Services	B-2	3,150,008	3,150,008
On-behalf TPAF Social Security and Pension	B-2	474,410	474,410
Capital Outlay	B-2	939,964	939,964
Food Service		671,555	671,555
<b>Total Governmental Activities</b>		<u>\$ 21,104,000</u>	<u>\$ 21,104,000</u>

**FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK'S FUNDS**

The financial performance of the North Star Academy Charter School of Newark as a whole is reflected in its governmental activities Exhibit A-2. As the North Star Academy Charter School of Newark completed the year, its general funds reported a combined fund balance of \$3,148,080.

The business activities retained earnings at June 30, 2011 is \$8,078.

Revenues for the North Star Academy Charter School of Newark's business activities were \$618,902, \$53,000 in school subsidy while total expenses were \$671,555. (Table A-2) (Exhibit A-2)

**GENERAL FUND**

The General Fund includes the primary operations of the North Star Academy Charter School of Newark in providing educational services to students from kindergarten and grade 5 through grade 12.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

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

**Table A-4 (See Exhibit B-2)**  
**The North Star Academy Charter School**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2011 and 2010**

<b>General Fund Revenues</b>	<b>Year Ended June 30, 2011</b>	<b>Year Ended June 30, 2010</b>	<b>Amount of Increase (Decrease)</b>
<b>Local Sources:</b>			
Local Share	2,178,570	1,610,416	568,154
Other Local Revenue	899,710	926,800	(27,090)
<b>Total Local Sources</b>	<b>\$ 3,078,280</b>	<b>\$ 2,537,216</b>	<b>\$ 541,064</b>
<b>Intergovernmental</b>			
State Sources	15,994,181	12,297,168	3,697,013
Federal Sources	2,373,586	1,239,438	1,134,148
<b>Total Intergovernmental Sources</b>	<b>\$ 18,367,767</b>	<b>\$ 13,536,606</b>	<b>\$ 4,831,161</b>
<b>Total Revenue</b>	<b>\$ 21,446,047</b>	<b>\$ 16,073,822</b>	<b>\$ 5,372,225</b>

**Needs to be reviewed**

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

**Table A-5 (See Exhibit B-2)**  
**The North Star Academy Charter School**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2011 and 2010**

<b>General Fund Expenditures</b>	<b>Year Ended 06/30/2011</b>	<b>Year Ended 06/30/2010</b>	<b>Amount of Increase (Decrease)</b>
<b>Current:</b>			
Regular Instruction	10,361,359	7,234,698	3,126,661
General Administrative Services	5,506,704	3,983,827	1,522,877
School Administration	3,150,008	2,272,879	877,129
On-behalf TPAF Social Security and Pension	474,410	475,850	(1,440)
Capital outlay	939,964	450,513	489,451
Food Service	671,555	493,079	178,476
<b>Total Expenditures</b>	<b>\$ 21,104,000</b>	<b>\$ 14,910,846</b>	<b>\$ 6,193,154</b>

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management’s Discussion and Analysis**  
**Year Ended June 30, 2011**

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

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

**Table A-6**  
**The North Star Academy Charter School**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2011**

<b>General Fund</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Unreserved-Undesignated Fund Balance	3,148,080	2,806,380	1,643,876	1,036,458	570,696	284,676
Expenditures	21,104,000	14,910,846	11,266,211	7,866,483	5,586,822	4,070,639
Percentage	15%	19%	15%	13%	10%	7%

The North Star Academy Charter School of Newark values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

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

**State Aid**—As part of the “time-out” decision of the Supreme Court, the NJDOE was granted permission for level spending for the 2010-11 school year. The practical implication of this ruling is that the North Star Academy Charter School of Newark 2010-11 budget can be not greater than its kindergarten through grade 12 expenditures in the 2010-11 school year. The financial position of the State of New Jersey will likely result in continued level state aid for the 2010-11 school year. The school is likely to feel financial pressures related to contractual obligations that will put pressure on the school programs, inclusive of staffing levels.

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

The North Star Academy Charter School of Newark Board of Trustees intends to appropriate a majority of its’ unrestricted fund balance to a restricted deferred maintenance and capital reserve of fund balance during the 2011-12 school year. The amount will be determined based upon a comprehensive facility needs analysis which is presently being performed and is to be completed in the 2011-12 school year.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2011**

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and contributors with a general overview of the North Star Academy Charter School of Newark's finances and to demonstrate the North Star Academy Charter School of Newark's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, North Star Academy Charter School of Newark, 10 Washington Place, Newark, New Jersey 07102.

## **BASIC FINANCIAL STATEMENTS**

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

## **SCHOOL-WIDE FINANCIAL STATEMENTS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,064,268	\$ (111,747)	\$ 1,952,521
Investments	-	-	-
Receivables, net	1,353,536	119,825	1,473,361
Inventory	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Capital reserve account - cash	-	-	-
Capital assets, net (Note 2):	2,854,690	-	2,854,690
Total Assets	<u>6,272,494</u>	<u>8,078</u>	<u>6,280,572</u>
<b>LIABILITIES</b>			
Cash Overdraft		0	-
Accounts payable	23,282	-	23,282
Due to Newark Board of Ed.	192,183	-	192,183
Deposits payable	-	-	-
Payable to federal government	-	-	-
Payable to state government	54,259	-	54,259
Deferred revenue	-	-	-
Noncurrent liabilities (Note 3):			
Due within one year	-	-	-
Due beyond one year	-	-	-
Total liabilities	<u>269,724</u>	<u>-</u>	<u>269,724</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,854,690	-	2,854,690
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpendable	-	-	-
Other purposes	-	-	-
Unrestricted	3,148,080	8,078	3,156,158
Total net assets	<u>\$ 6,002,770</u>	<u>\$ 8,078</u>	<u>\$ 6,010,848</u>

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (10,361,359)	\$ -	\$ (1,763,226)	\$ -	(8,598,133)	\$ -	\$ (8,598,133)
Support services:							
General administratrion	(5,506,704)	-	(201,640)	-	(5,305,064)	-	(5,305,064)
School administrative services/ operations plant serv.	(3,150,008)	-	-	-	(3,150,008)	-	(3,150,008)
On - behalf TPAF Social Security	(824,460)	-	-	-	(824,460)	-	(824,460)
Capital Outlay	(939,964)	-	-	-	(939,964)	-	(939,964)
Total governmental activities	<u>(20,782,495)</u>	<u>-</u>	<u>(1,964,866)</u>	<u>-</u>	<u>(18,817,629)</u>	<u>-</u>	<u>(18,817,629)</u>
Business-type activities:							
Food Service	-	(671,555)	-	-	-	(671,555)	(671,555)
Total business-type activities	<u>-</u>	<u>(671,555)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(671,555)</u>	<u>(671,555)</u>
Total primary government	<u>\$ (20,782,495)</u>	<u>\$ 0</u>	<u>\$ (1,964,866)</u>	<u>\$ -</u>	<u>\$ (18,817,629)</u>	<u>\$ (671,555)</u>	<u>\$ (19,489,184)</u>
General revenues:							
					2,178,570		2,178,570
					14,493,444	10,182	14,503,626
						608,720	608,720
					1,840,605		1,840,605
					646,710	53,000	699,710
					843,877	0	843,877
					<u>20,003,206</u>	<u>671,902</u>	<u>20,675,108</u>
					1,185,577	347	1,185,924
					4,817,193	7,731	4,824,924
					<u>\$ 6,002,770</u>	<u>\$ 8,078</u>	<u>\$ 6,010,848</u>

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

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>ENTERPRISE Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,634,609			\$ -	\$ 2,634,609
Investments					
Receivables, net	783,195	570,341	119,825		1,473,361
Inventory					
Restricted cash and cash equivalents					
Total assets	<u>\$ 3,417,804</u>	<u>\$ 570,341</u>	<u>\$ 119,825</u>	<u>\$ -</u>	<u>\$ 4,107,970</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Cash Overdraft		570,341	111,747		682,088
Accounts payable					
Due to Newark Board of Ed.	269,724				269,724
Payable to federal government	-				
Payable to state government	-				
Deferred revenue	-				
Total liabilities	<u>269,724</u>	<u>570,341</u>	<u>111,747</u>		<u>951,812</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	3,148,080		8,078		3,156,158
Capital projects fund					
Permanent fund					
Total Fund balances	<u>3,148,080</u>				<u>3,156,158</u>
Total liabilities and fund balances	<u>\$ 3,417,804</u>	<u>\$ 570,341</u>	<u>\$ 119,825</u>	<u>\$ -</u>	<u>\$ 4,107,970</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$ 3,337,864 and the accumulated depreciation is (\$483,174) 2,854,690

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

Net assets of governmental activities \$ 6,010,848

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

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local sources:					
Local share	\$ 2,178,570	\$ -	\$ -		\$ 2,178,570
State Share	14,493,444	-	-	-	14,493,444
Other Restricted Miscellaneous Revenues	-				-
Philanthropic Support	646,710	200,000		-	846,710
Total - Local Sources	<u>17,318,724</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>17,518,724</u>
State sources	1,840,605			-	1,840,605
Federal sources	-	1,764,866	-	-	1,764,866
Total revenues	<u>19,159,329</u>	<u>1,964,866</u>	<u>-</u>	<u>-</u>	<u>21,124,195</u>
<b>EXPENDITURES</b>					
Current:					
Regular instruction	\$ 8,598,133	\$ 1,763,226	\$ -	\$ -	\$ 10,361,359
Support services- General Administrative	5,305,064	201,640	-	-	5,506,704
Support Services- School Admin/ operations plant se	3,150,008				3,150,008
On-behalf TPAF Social Security and Pension	824,460				824,460
Capital outlay	939,964			-	939,964
Total expenditures	<u>18,817,629</u>	<u>1,964,866</u>	<u>-</u>	<u>-</u>	<u>20,782,495</u>
Excess (Deficiency) of revenues over expenditures	<u>341,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,700</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>					
Proceeds from sale of land	-	-	-	-	-
Net change in fund balances	341,700	-	-	-	341,700
Fund balance—July 1	2,806,380	-	-	-	2,806,380
Fund balance—June 30	<u>\$ 3,148,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,148,080</u>

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

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

**Total net change in fund balances - governmental funds (from B-2)** \$ 341,700

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

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

Depreciation expense	\$ (75,478)		
Capital outlays	919,355		843,877

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

-

**Change in net assets of governmental activities**

\$ 1,185,577

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

## **PROPRIETARY FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

		<b>Business-type Activities</b>	<b>Enterprise funds</b>
			<b>Food Service</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$	-	
Investments		116,002	
Accounts receivable - Federal Aid		3,823	
Accounts receivables - State Aid			
Inventories			
Total current assets		119,825	
Noncurrent assets:			
Restricted cash and cash equivalents		-	
Furniture, machinery & equipment		-	
Less accumulated depreciation		-	
Total noncurrent assets		-	
Total assets		119,825	
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft		111,747	
Deposits payable		-	
Compensated absences		-	
Total current liabilities		111,747	
Total liabilities		111,747	
<b>NET ASSETS</b>			
Invested in capital assets net of related debt		-	
Restricted for:			
Capital projects		-	
Unrestricted		8,078	
Total net assets	\$	8,078	

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

Exhibit B-5

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

	<b>Business-type Activities Enterprise Fund</b>
	<b>Food Service</b>
	<hr/> <hr/>
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	-
Special functions	-
Total operating revenues	<hr/> - <hr/>
Operating expenses:	
Cost of sales	671,555
Salaries and Benefits	-
Professional Fees	-
Supplies, Materials and Other Expenses	-
Depreciation	0
Total Operating Expenses	<hr/> 671,555 <hr/>
Operating income (loss)	<hr/> (671,555) <hr/>
Nonoperating revenues (expenses):	
Board Subsidy	53,000
State sources:	
State Breakfast Program	--
State school lunch program	10,182
Federal sources:	
National school breakfast program	148,001
National school lunch program	449,201
National snack program	11,518
Total nonoperating revenues (expenses)	<hr/> 671,902 <hr/>
Income (loss) before contributions & transfers	347
Capital contributions	-
Transfers in (out)	0
Change in net assets	<hr/> 347 <hr/>
Total net assets—beginning	7,731
Total net assets—ending	<hr/> \$ 8,078 <hr/>

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

Exhibit B-6

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

		<b>Business-type</b>
		<b>Activities</b>
		<b>Enterprise Funds</b>
		<b>Food</b>
		<b>Service</b>
		<hr/> <hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$	-
Payments to employees and benefits		0
Payments to suppliers		(671,555)
Net cash provided by (used for) operating activities		<hr/> <hr/> (671,555)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State and Federal Sources		577,674
Operating subsidies and transfers to other funds		53,000
Net cash provided by (used for) non-capital financing activities		<hr/> <hr/> 630,674
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase In Fixed Assets		---
Proceeds from sale/maturities of investments		---
Net cash provided by (used for) investing activities		<hr/> <hr/> -
Net increase (decrease) in cash and cash equivalents		(40,881)
Cash Balances—beginning of year		(70,866)
Cash Balances—end of year	\$	<hr/> <hr/> (111,747)
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$	347
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		(41,228)
(Increase) decrease in inventories		-
(Increase) decrease in USDA Commonities		-
Increase (decrease) in accounts payable		-
Increase (decrease) in accrued compensated absences		0
Total adjustments		<hr/> <hr/> (41,228)
Net cash provided by (used for) operating activities	\$	<hr/> <hr/> (40,881)

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

## **FIDUCIARY FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<b>Unemployment Compensation Trust</b>	<b>Gear Up Scholarship Fund</b>	<b>Agency fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 315	\$ 102,702	\$ -
Investments, at fair value:			
U.S. government obligations	-	-	-
NJ municipal bonds	-	-	-
Total investments	-	-	-
Total assets	315	102,702	\$ -
<b>LIABILITIES</b>			
Accounts payable		-	-
Payable to district	-	-	-
Payable to student groups	-	-	-
Payroll deductions and withholdings	-	-	-
Total liabilities	-	-	\$ -
<b>NET ASSETS</b>			
Held in trust for unemployment claims and other purposes	\$ 315		
Reserved for scholarships		\$ 102,702	

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

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

	Unemployment Compensation Trust	GEAR UP Scholarship Fund
<b>ADDITIONS</b>		
Contributions:		
Plan member		
Other	34,893	
Total Contributions	<u>34,893</u>	
Investment earnings:		
Net increase (decrease) in fair value of investments		
Interest		10
Dividends		
Less investment expense		
Net investment earnings		<u>10</u>
Total additions	<u>34,893</u>	<u>10</u>
<b>DEDUCTIONS</b>		
Quarterly contribution reports		
Unemployment claims	34,817	
Scholarships awarded		
Refunds of contributions		
Administrative expenses		
Total deductions	<u>34,817</u>	
Change in net assets	76	10
Net assets—beginning of the year	<u>239</u>	<u>102,692</u>
Net assets—end of the year	<u>\$ 315</u>	<u>\$ 102,702</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

The Governmental Accounting Standards Board (GASB) unanimously approved basic Financial Statements and Management's Discussion and Analysis for State and Local governments (Statement No. 34). This statement provides for significant changes in financial reporting and was first implemented by the North Star Academy Charter School of Newark for the fiscal year ending June 30, 2003. In addition, the school has implemented GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

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

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

**A. Reporting Entity:**

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

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

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

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

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

The North Star Academy Charter School of Newark reports the following major governmental funds:

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

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

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

Additionally, the government reports the following fund types:

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

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

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

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

*1. Deposits and Investments*

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

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

*2. Receivables and Payables*

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

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

*3. Inventories and Prepaid Items*

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred revenue.

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

**Accrued Liabilities and Payables**

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

**Net Assets**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

**4. Capital Assets**

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

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

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

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

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

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

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

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

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

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

**Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures**

This reserve is created to represent the portion of fund balance at June 30, 2011 restricted and utilized in the adopted subsequent year's budget. At June 30, 2011 there were no reserves.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

No difference noted.

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

**A. Budgetary Information:**

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

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

The budget is properly amended by the North Star Academy Charter School of Newark trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The school approved several budget transfers during 2010-2011.

Formal budgetary integration into the accounting system is employed as a management control device during the year.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

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

The following presents a reconciliation of the special revenue fund from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Operating In</u>	<u>Transfers Out</u>
Budgetary Basis	\$1,964,866	\$1,964,866	-	-
Adjustments:	-	-	-	-
Add encumbrances at June 30, 2010	-	-	-	-
Less encumbrances at June 30, 2011	-	-	-	-
GAAP Basis	<u>\$1,964,866</u>	<u>\$1,964,866</u>	-	-

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

**B. Capital Reserve Account:**

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

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

**A. Deposits and Investments**

**Deposits**

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

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

	<b><u>General Fund</u></b>	<b><u>Special Revenue</u></b>	<b><u>Enterprise Fund</u></b>	<b><u>Total</u></b>
Operating Account	\$2,634,609	(\$570,341)	(\$111,747)	\$1,952,521

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>
Deposits	\$1,952,521	\$ 0	\$ 0	\$1,952,521

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

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The school does not have a formal policy for custodial credit risk. As of June 30, 2011 the school bank balances of \$1,952,521 was not exposed to custodial credit risk since all deposits were considered insured by either FDIC or GUDPA.

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

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

**Investments**

New Jersey statutes permit the North Star Academy Charter School of Newark to purchase the following types of securities:

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

**Investments (continued)**

The North Star Academy Charter School of Newark had no outstanding investments at June 30, 2011.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$783,195</u>	<u>\$570,341</u>	<u>\$119,825</u>	<u>\$1,473,361</u>
Gross Receivables	<u>\$783,195</u>	<u>\$570,341</u>	<u>\$119,825</u>	<u>\$1,473,361</u>

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

**B. Deferred Revenue**

There was no deferred revenue at June 30, 2011.

**C. Capital Assets**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

**C. Capital Assets (continued)**

**Primary Government:**

	<b><u>Balance at June 30, 2011</u></b>
<b>Governmental activities:</b>	
Capital assets, not being depreciated:	\$ -
Land	<u>-</u>
Total capital assets, not being depreciated	<u>\$ -</u>
 <b>Capital assets, being depreciated:</b>	
Building Improvements	2,706,206
Machinery and equipment	<u>631,658</u>
Total capital assets being depreciated	<u>\$ 3,337,864</u>
 <b>Less accumulated depreciation for:</b>	
Building Improvements	(241,393)
Machinery and equipment	<u>(241,781)</u>
Total accumulated depreciation	<u>(\$483,174)</u>
 Total capital assets, being depreciated, net	 <u>\$2,854,690</u>
 Total Net Capital Assets All Funds	 <u>\$2,854,690</u>

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

<b>Governmental activities:</b>	
Total depreciation expense - governmental activities	<u>\$75,478</u>

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

**NOTE 5. OTHER INFORMATION**

**A. Contingent Liabilities**

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

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

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

**Plan Description**

Substantially all of the North Star Academy Charter School of Newark's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey.

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible school employees.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

Public Employees' Retirement System (PERS) -Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) -Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**Other Pension Funds**

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system. According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trusts.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

**Other Pension Funds (continued)**

The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**Significant Legislation**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

**Significant Legislation (continued)**

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

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

**Funding Status and Funding Progress**

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

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

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

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

**Annual Pension Costs (APC)**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

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

**Annual Pension Costs (APC) (continued)**

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$474,410 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**C. Post-Retirement Medical Benefits**

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

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

**C. Post-Retirement Medical Benefits (continued)**

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

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

**Basis of Accounting**

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

**Significant Legislation**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

**C. Post-Retirement Medical Benefits (continued)**

**Investment Valuation**

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

**Funded Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

**C. Post-Retirement Medical Benefits (continued)**

**Post-Retirement Medical Benefits Contributions**

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

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

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

**NOTE 6. RISK MANAGEMENT**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to Financial Statements**  
**Year Ended June 30, 2011**

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

**NOTE 7. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE**

The 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.

**NOTE 8. LINE OF CREDIT**

The school had entered into a Non-Revolving Line of Credit with Sovereign Bank in the amount of \$800,000 to finance cash flow during the school year. At June 30, 2011, the Line of Credit was fully repaid and thus the amount outstanding under the line was zero. The term is not to exceed 12 months. Interest is payable at the prime rate plus 1.25% and interest expense amounted to \$4,450 for the period ended June 30, 2011. The loan is subject to certain guarantees and security interests on assets of the school.

**NOTE 9. SUBSEQUENT EVENTS**

The school has evaluated subsequent events occurring after the balance sheet through the date of September 15, 2011, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Share	\$ 2,321,914	\$ (143,344)	\$ 2,178,570	\$ 2,178,570	-
State Share	14,263,185	447,839	14,711,024	14,711,024	-
Other Restricted Miscellaneous Revenues	-	-	\$ -	-	-
Miscellaneous	700,000	(53,290)	646,710	646,710	0
Total - Local Sources	<u>17,285,099</u>	<u>251,205</u>	<u>17,536,304</u>	<u>17,536,304</u>	<u>0</u>
Categorical Aid					
Technology Aid Funds	-	-	-	-	-
Special Education Aid	430,209	(156,109)	274,100	278,017	(3,917)
Security Aid	-	-	-	-	-
T& E Gap	469,640	54,825	524,465	520,548	3,917
Demonstrably Effective	-	-	-	-	-
Non-Public Aid	-	-	-	-	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	350,050	(350,050)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	474,410	(474,410)
Total State Sources	<u>899,849</u>	<u>(101,284)</u>	<u>798,565</u>	<u>1,623,025</u>	<u>(824,460)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
<b>Total Revenues</b>	<u>18,184,948</u>	<u>149,921</u>	<u>18,334,869</u>	<u>19,159,329</u>	<u>(824,460)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Teachers Salary	\$ 7,148,401	(300,210)	6,848,191	6,848,191	0
Other Salaries	-	9,070	9,070	9,070	0
Prof/Tech Services	472,112	(85,224)	386,888	386,888	0
Other Purchased Services	434,264	(18,210)	416,054	416,054	0
General Supplies	1,149,724	(573,909)	575,815	575,815	0
Textbooks	76,575	(56,713)	19,862	19,862	0
Other Objects	274,482	67,771	342,253	342,253	-
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>9,555,558</u>	<u>(957,425)</u>	<u>8,598,133</u>	<u>8,598,133</u>	<u>-</u>

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK  
Budgetary Comparison Schedule  
General Fund

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Support Services - General Administrative</b>					
Salaries of Administrative Salaries	1,669,360	50,411	1,719,771	1,719,771	0
Salaries of Secretarial and Clerical Assistants	492,275	(56,210)	436,065	436,065	0
Cost of Benefits	1,461,375	84,948	1,546,323	1,546,323	0
Other Purchased Services	-	-	-	-	0
Consultants	904,747	(880,717)	24,030	24,030	0
Purchased Professional and Technical Services	265,683	1,255,897	1,521,580	1,521,580	0
Communications/Telephone	146,425	(126,951)	19,474	19,474	0
Interest on Current Loans	-	-	-	-	0
Supplies and Materials	22,445	(11,847)	10,598	10,598	0
Other Objects	57,090	(29,867)	27,223	27,223	-
	<u>5,019,400</u>	<u>285,664</u>	<u>5,305,064</u>	<u>5,305,064</u>	<u>-</u>
<b>Support Services - School Admin/Operation Plant Services</b>					
Salaries	499,545	135,066	634,611	634,611	0
Purchased Professional and Technical Services	109,700	(109,700)	-	-	0
Other Purchased Services	290,647	165,975	456,622	456,622	0
Rental of Land and Building- other than Lease Purchase Agreements	1,405,000	(5,557)	1,399,443	1,399,443	0
Insurance	49,640	(123)	49,517	49,517	0
General Supplies	57,234	14,672	71,906	71,906	0
Transportation- Trips	271,735	(140,121)	131,614	131,614	0
Energy (Energy and Electricity)	358,574	(9,729)	348,845	348,845	0
Other Objects	-	4,450	4,450	4,450	-
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>	<u>3,042,075</u>	<u>54,933</u>	<u>3,097,008</u>	<u>3,097,008</u>	<u>-</u>
<b>Food Service</b>					
Board Subsidy		53,000	53,000	53,000	
Other Purchsed Services		-	-	-	
<b>Total Food Services</b>		<u>53,000</u>	<u>53,000</u>	<u>53,000</u>	
On-behalf TPAF pension Contributions (non-budgeted)				350,050	(350,050)
Reimbursed TPAF Social Security Contributions (non-budgeted)				474,410	(474,410)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>824,460</u>	<u>824,460</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>8,061,475</u>	<u>393,597</u>	<u>8,455,072</u>	<u>9,279,532</u>	<u>(824,460)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>17,617,033</u>	<u>(563,828)</u>	<u>17,053,205</u>	<u>17,877,665</u>	<u>(824,460)</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Regular Programs - Instruction:</b>					
Instructional Equipment	30,000	(20,476)	9,524	9,524	-
Non-Instructional Equipment	30,000	(18,915)	11,085	11,085	-
Miscellaneous	507,915	753,140	1,261,055	919,355	341,700
<b>Total Equipment</b>	<u>567,915</u>	<u>713,749</u>	<u>1,281,664</u>	<u>939,964</u>	<u>341,700</u>
<b>TOTAL EXPENDITURES- GENERAL FUND</b>	18,184,948	149,921	18,334,869	18,817,629	(482,760)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	0	0	341,700	(341,700)
<b>Other Financing Sources:</b>					
<b>Operating Transfer In:</b>	-	-	-	-	-
<b>Total Other Financing Sources:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	-	-	-	341,700	(341,700)
<b>Fund Balance, July 1</b>	-	-	2,806,380	2,806,380	
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,806,380</u>	<u>\$ 3,148,080</u>	<u>\$ (341,700)</u>

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources	\$ 200,000		\$ 200,000	\$ 200,000	
State Sources	-		-	-	
Federal Sources	1,764,866		1,764,866	1,764,866	
<b>Total Revenues</b>	<u>1,964,866</u>		<u>1,964,866</u>	<u>1,964,866</u>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	634,074		634,074	634,074	
Other Salaries for Instruction					
Purchased Professional -Educational Services	164,146		164,146	164,146	
Other Purchased Services	49,356		49,356	49,356	
Instructional Supplies	326,346		326,346	326,346	
Textbooks	158,426		158,426	158,426	
General Supplies	-		-	-	
Personal Services- Employee Benefits	115,782		115,782	115,782	
Technical Supplies	315,096		315,096	315,096	
Instructional Supplies	-		-	-	
<b>Total Instruction</b>	<u>1,763,226</u>		<u>1,763,226</u>	<u>1,763,226</u>	
<b>Support Services</b>					
Salaries of Supervisor of Instruction	44,998		44,998	44,998	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Communication	1,523		1,523	1,523	
Personal Services - Employee Benefits					
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services	-		-	-	
Photocopier Supplies	33,141		33,141	33,141	
Transportation	27,923		27,923	27,923	
Scholarships	44,169		44,169	44,169	
Fellows	25,833		25,833	25,833	
Recruitment	24,053		24,053	24,053	
Parental Invaolment Expeiditures	-		-	-	
<b>Total Support Services</b>	<u>201,640</u>		<u>201,640</u>	<u>201,640</u>	

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfer to Charter School</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Expenditures	1,964,866	-	1,964,866	1,964,866	-
<b>Other Financing Sources (Uses)</b>					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Outflows</b>	<b>1,964,866</b>	<b>-</b>	<b>1,964,866</b>	<b>1,964,866</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
Expenditures and Other Financing Sources (Uses)	\$ 1,964,866	\$ -	\$ 1,964,866	\$ 1,964,866	\$ -

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

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

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

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

## **SPECIAL REVENUE FUND**

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

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

	<b>TOTAL</b>	<b>IDEA PART B-Basic Reg. Prog.</b>	<b>TITLE I</b>	<b>Title IIA</b>	<b>Title IID</b>	<b>TITLE I ARRA</b>	<b>FEDERAL CSP</b>	<b>ACE Grant</b>
<b>REVENUES</b>								
Intergovernmental								
State								
Federal	1,964,866	168,227	713,116	36,822	567	51,605	794,529	
Other Sources								
Miscellaneous	200,000							200,000
Total Revenues	<u>1,964,866</u>	<u>168,227</u>	<u>713,116</u>	<u>36,822</u>	<u>567</u>	<u>51,605</u>	<u>794,529</u>	<u>200,000</u>
<b>EXPENDITURES</b>								
Instruction								
Salaries	634,074	90,000	411,400			30,314		102,360
Purchased Prof. and Tech. Services	72,273	19,229	28,693	20,863	567	2,921		
Other Purchased Services	112,438		27,539	15,959		12,305	56,635	
Instructional Supplies	677,141						660,482	16,659
Technical Supplies	93,912		93,912					
Textbooks	0							
Personal Services - Employee Benefits	109,711	14,000	82,280			6,065		7,366
Equipment Instructional	0							
Total Instruction	<u>1,699,549</u>	<u>123,229</u>	<u>643,824</u>	<u>36,822</u>	<u>567</u>	<u>51,605</u>	<u>717,117</u>	<u>126,385</u>
Support Services								
Salaries of Supervisors of Instruction	44,998	44,998						
Salaries of Fellows	60,750						60,750	
Salaries of Other Prof. Staff	0							
Salaries of Secretarial and Clerical Ass't	0							
Personal Services - Employee Benefits	14,250						14,250	
Transportation	27,923							27,923
Communication	1,523							1,523
Photocopier Supplies	0							
Purchased Professional/Educational Ser.	47,636		47,636					
Scholarships Aid	44,169							44,169
Travel	2,412						2,412	
Recruitment	0							
Other Professional Services	21,656		21,656					
Field Trip Fees								
Total Support Services	<u>265,317</u>	<u>44,998</u>	<u>69,292</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>77,412</u>	<u>73,615</u>
<b>TOTAL EXPENDITURES</b>	<u><u>1,964,866</u></u>	<u><u>168,227</u></u>	<u><u>713,116</u></u>	<u><u>36,822</u></u>	<u><u>567</u></u>	<u><u>51,605</u></u>	<u><u>794,529</u></u>	<u><u>200,000</u></u>

## **PROPRIETARY FUNDS**

## **ENTERPRISE FUND**

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

**Food Service Fund** - The fund provides for the operation of food services in all schools.

Exhibit G-1

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Net Assets**  
**JUNE 30, 2011**

	<b>Business-Type Activities</b>
	<u>Enterprise Fund</u> <u>Food Services</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$0
Intergovernmental Receivable	
Federal	\$116,002
State	3,823
Accounts Receivable	
Total Current Assets	<u>119,825</u>
Total Assets	<u><u>119,825</u></u>
<b>LIABILITIES</b>	111,747
Cash Overdraft	
Total Current Liabilities	<u>111,747</u>
Net Assets	
Unrestricted	8,078
Invested in capital assets net of related debt	0
Total Net Assets	<u><u>\$8,078</u></u>

Exhibit G-2

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

	<b>Business-Type Activities</b>
	Enterprise Fund Food Services
<b>OPERATING REVENUES</b>	
Local Sources	
Daily Sales - Reimbursable Programs	---
Special Lunch and Breakfast Program	
Special Functions	
Total Operating Revenues	---
<b>OPERATING EXPENSES</b>	
Salaries, wages and employee benefits	
Supplies, Materials & Other	(671,555)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	(671,555)
Income (Loss) From Operations	(671,555)
Nonoperating Revenues	
Board Subsidy	53,000
State Sources	
National School Lunch	10,182
State Breakfast	---
Federal Sources	
School Breakfast Program	148,001
National School Lunch Program	449,201
National Snack Program	11,518
Total Nonoperating Revenues	671,902
Net Income (Loss)	347
Total Net Assets- Beginning of Year	7,731
Total Net Assets- End of Year	\$8,078

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2011**

**2011**

Cash flows from operating activities	
Cash Received from Customers	
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(671,555)
Net Cash (Used) by Operating Activities	<u>(671,555)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	53,000
Cash Received from State and Federal Subsidy Reimbursements	577,674
Net Cash Provided by Noncapital Financing Activities	<u>630,674</u>
 Cash Flows from Investing Activities	---
Net Cash Provided by Investing Activities	---
Net Increase in Cash and Cash Equivalents	(40,881)
Cash and Cash Equivalents, Beginning of Year	(70,866)
Cash and Cash Equivalents, End of Year	<u>(\$111,747)</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	\$347
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	(41,228)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(41,228)</u>
 Net Cash Used by Operating Activities	<u>(\$40,881)</u>

## **FIDUCIARY FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Combining Statement of Agency Fund Net Assets**  
**Fiduciary Funds**  
**As of June 30, 2011**

	<u>Unemployment Insurance</u>	<u>Gear Up Scholarships</u>	<u>Parent Council</u>	<u>Payroll Account</u>	<u>Payroll Agency</u>	<u>TOTAL</u>
<b>ASSETS</b>						
Cash	\$315	\$102,702	\$66,479	\$0	\$0	\$169,496
Total Assets	<u>\$315</u>	<u>\$102,702</u>	<u>\$66,479</u>	<u>\$0</u>	<u>\$0</u>	<u>\$169,496</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Intergovernmental Payable - State						
Payroll Deductions and Withholdings				0	0	0
College Trust Fund		102,702				102,666
Due to Student Groups			66,479			66,479
Total Liabilities	<u>0</u>	<u>102,702</u>	<u>66,479</u>	<u>0</u>	<u>0</u>	<u>169,181</u>
<b>Fund Balances</b>						
Reserve For Unemploy. Trust Fund	315	0	0	0	0	315
Total Fund Balances	<u>315</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>315</u>
Total Liabilities and Fund Balances	<u>\$315</u>	<u>\$102,702</u>	<u>\$66,479</u>	<u>\$0</u>	<u>\$0</u>	<u>\$169,496</u>

**Exhibit H-2**

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

**NOT APPLICABLE**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Parent Council Fund**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Parent Council Fund	<u>\$50,579</u>	<u>\$99,799</u>	<u>(\$83,899)</u>	<u>\$66,479</u>
Total	<u><u>\$50,579</u></u>	<u><u>\$99,799</u></u>	<u><u>(\$83,899)</u></u>	<u><u>\$66,479</u></u>

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$0	\$11,363,960	\$11,363,960	\$0
Total Liabilities	<u>0</u>	<u>11,363,960</u>	<u>11,363,960</u>	<u>0</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	0	4,077,135	4,077,135	0
Accrued Salaries and Wages	<u>                    </u>	<u>7,286,825</u>	<u>7,286,825</u>	<u>                    </u>
Total Liabilities	<u>\$0</u>	<u>\$11,363,960</u>	<u>\$11,363,960</u>	<u>\$0</u>

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS</b>				
Cash and cash Equivalents	\$239	\$34,893	\$34,817	\$315
Total Assets	<u>\$239</u>	<u>\$34,893</u>	<u>\$34,817</u>	<u>\$315</u>
<b>LIABILITIES</b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>FUND BALANCE</b>				
Reserve for Unemployment Compensation	\$239	\$34,893	\$34,817	\$315
Total Liabilities and Fund Balance	<u>\$239</u>	<u>\$34,893</u>	<u>\$34,817</u>	<u>\$315</u>

## **FINANCIAL TRENDS**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 2,854,690	\$ 2,010,813	\$ 1,617,809	\$ 1,676,164	\$ 1,736,832	\$ 1,797,500
Restricted					-	-
Unrestricted	3,148,080	2,806,380	1,643,876	1,036,458	570,696	284,676
Total governmental activities net assets	<u>\$ 6,002,770</u>	<u>\$ 4,817,193</u>	<u>\$ 3,261,685</u>	<u>\$ 2,712,622</u>	<u>\$ 2,307,528</u>	<u>\$ 2,082,176</u>
Business-type activities						
Invested in capital assets, net of related debt					\$ -	\$ -
Restricted					-	-
Unrestricted	8,078	7,731	7,259	6,520	51,247	61,667
Total business-type activities net assets	<u>\$ 8,078</u>	<u>\$ 7,731</u>	<u>\$ 7,259</u>	<u>\$ 6,520</u>	<u>\$ 51,247</u>	<u>\$ 61,667</u>
School-wide						
Invested in capital assets, net of related debt	\$ 2,854,690	\$ 2,010,813	\$ 1,617,809	\$ 1,676,164	\$ 1,736,832	\$ 1,797,500
Restricted					-	-
Unrestricted	3,156,158	2,814,111	1,651,135	1,042,978	621,943	346,343
Total school net assets	<u>\$ 6,010,848</u>	<u>\$ 4,824,924</u>	<u>\$ 3,268,944</u>	<u>\$ 2,719,142</u>	<u>\$ 2,358,775</u>	<u>\$ 2,143,843</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Expenses</b>						
Governmental activities						
Instruction						
Regular	\$ 10,361,359	\$ 7,234,698	\$ 6,438,518	\$ 4,579,208	\$ 3,478,748	\$ 2,860,200
Support Services:						
General administration	5,506,704	3,983,827	2,693,473	1,916,395	1,196,198	972,308
School Administrative Services	3,150,008	2,272,879	1,708,473	1,032,856	699,683	621,812
On-behalf TPAF Social Security	824,460	475,850	406,037	332,818	212,193	181,967
Capital outlay	939,964	450,513	19,710	5,206	-	26,314
Unallocated depreciation	75,478	64,147	58,355	60,668	60,668	48,705
Total governmental activities expenses	<u>20,857,973</u>	<u>14,481,914</u>	<u>11,324,566</u>	<u>7,927,151</u>	<u>5,647,490</u>	<u>4,711,306</u>
Business-type activities:						
Food service	671,555	493,079	384,154	319,660	252,479	189,428
Child Care	-	-	-	-	-	-
Total business-type activities expense	<u>671,555</u>	<u>493,079</u>	<u>384,154</u>	<u>319,660</u>	<u>252,479</u>	<u>189,428</u>
Total school expenses	<u>\$ 21,529,528</u>	<u>\$ 14,974,993</u>	<u>\$ 11,708,720</u>	<u>\$ 8,246,811</u>	<u>\$ 5,899,969</u>	<u>\$ 4,900,734</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-
Operating grants and contributions	1,964,866	1,451,693	689,664	822,440	798,009	618,897
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>1,964,866</u>	<u>1,451,693</u>	<u>689,664</u>	<u>822,440</u>	<u>798,009</u>	<u>618,897</u>
Business-type activities:						
Charges for services:						
Food service	671,902	493,551	384,893	262,899	262,899	247,603
Child care	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business type activities program revenues	<u>671,902</u>	<u>493,551</u>	<u>384,893</u>	<u>262,899</u>	<u>262,899</u>	<u>247,603</u>
Total school program revenues	<u>\$ 2,636,768</u>	<u>\$ 1,945,244</u>	<u>\$ 1,074,557</u>	<u>\$ 1,085,339</u>	<u>\$ 1,060,908</u>	<u>\$ 866,500</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	347	472	739	(56,761)	10,420	58,175
Total school-wide net expense	<u>\$ 347</u>	<u>\$ 472</u>	<u>\$ 739</u>	<u>\$ (56,761)</u>	<u>\$ 10,420</u>	<u>\$ 58,175</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Local share	\$ 2,178,570	\$ 1,610,416	\$ 1,338,553	\$ 1,331,527	\$ 825,039	\$ 671,311
State Share	14,493,444	10,557,444	8,269,897	3,259,946	2,997,628	2,176,242
State aid	1,840,605	1,235,873	1,095,020	2,271,296	976,504	963,981
Philanthropic Support	646,615	724,688	480,110	646,086	275,662	259,105
Increase in Net Capital Outlay	919,355	457,151	-	-	-	26,314
Investment earnings	95	-	385	950	-	-
Miscellaneous income	-	157	-	-	-	-
Transfers	-	-	-	-	-	-
Total governmental activities	<u>20,078,684</u>	<u>14,585,729</u>	<u>11,183,965</u>	<u>7,509,805</u>	<u>5,074,833</u>	<u>4,096,953</u>
Business-type activities:						
Investment earnings	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total school-wide	<u>\$ 20,078,684</u>	<u>\$ 14,585,729</u>	<u>\$ 11,183,965</u>	<u>\$ 7,509,805</u>	<u>\$ 5,074,833</u>	<u>\$ 4,096,953</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 1,185,577	\$ 1,555,980	\$ 549,802	\$ 348,333	\$ 235,772	\$ 62,719
Business-type activities	347	472	739	56,761	(10,420)	58,175
Total school	<u>\$ 1,185,924</u>	<u>\$ 1,556,452</u>	<u>\$ 550,541</u>	<u>\$ 405,094</u>	<u>\$ 225,352</u>	<u>\$ 120,894</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund						
Reserved						
Unreserved	3,148,080	2,806,380	1,643,876	1,036,458	570,696	284,676
Total general fund	<u>\$ 3,148,080</u>	<u>\$ 2,806,380</u>	<u>\$ 1,643,876</u>	<u>\$ 1,036,458</u>	<u>\$ 570,696</u>	<u>\$ 284,676</u>
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u>                    </u>					

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>						
Local tax Levy	\$ 2,178,570	\$ 1,610,416	\$ 1,338,553	\$ 1,331,527	\$ 825,039	\$ 671,311
Other local revenue	899,710	926,800	610,933	769,776	366,350	259,105
State sources	16,344,231	11,793,317	9,364,917	5,531,242	3,974,132	3,144,223
Federal sources	2,373,586	1,249,738	559,226	699,700	707,321	614,897
Total revenue	<u>21,796,097</u>	<u>15,580,271</u>	<u>11,873,629</u>	<u>8,332,245</u>	<u>5,872,842</u>	<u>4,689,536</u>
<b>Expenditures</b>						
Instruction						
Regular Instruction	7,660,203	5,261,755	4,777,831	3,484,927	2,404,925	2,089,912
Undistributed Instruction	937,930	691,930	1,063,637	623,004	459,690	330,755
Support Services:						
General administration	5,305,064	3,813,147	2,600,859	1,565,232	1,012,322	792,944
School administrative services/Plan	3,150,008	2,272,879	1,708,473	1,032,856	699,683	621,812
TPAF Social Security	824,460	475,850	406,037	332,818	212,193	181,967
Food Service	671,555					
Capital outlay	939,964	450,513	19,710	5,206	-	26,314
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Special Revenue	1,964,866	1,451,693	689,664	822,440	798,009	618,897
Total expenditures	<u>21,454,050</u>	<u>14,417,767</u>	<u>11,266,211</u>	<u>7,866,483</u>	<u>5,586,822</u>	<u>4,662,601</u>
Excess (Deficiency) of revenues over (under) expenditures	342,047	1,162,504	607,418	465,762	286,020	26,935
<b>Other Financing sources (uses)</b>						
Proceeds from borrowing	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 342,047</u>	<u>\$ 1,162,504</u>	<u>\$ 607,418</u>	<u>\$ 465,762</u>	<u>\$ 286,020</u>	<u>\$ 26,935</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School records

## **REVENUE CAPACITY**

**EXHIBIT J-5**

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

**NOT APPLICABLE**

**Exhibit J-6**

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

**NOT APPLICABLE**

**Exhibit J-7**

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

**NOT APPLICABLE**

**Exhibit J-8**

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

**NOT APPLICABLE**

## **DEBT CAPACITY**

**Exhibit J-9**

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

**NOT APPLICABLE**

**Exhibit J-10**

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

**NOT APPLICABLE**

**Exhibit J-11**

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

**NOT APPLICABLE**

**Exhibit J-12**

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

**NOT APPLICABLE**

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Exhibit J-13**

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

**NOT APPLICABLE**

**Exhibit J-14**

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

**NOT APPLICABLE**

**OPERATING INFORMATION  
(UNAUDITED)**

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

<u>Function/Program</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Instruction						
Regular	123	99	75	50	30	24
Special education						
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services						
General administration						
School administrative services						
Other administrative services						
Central services						
Administrative Information Technology						
Plant operations and maintenance						
Pupil transportation						
Other support services						
Special Schools						
Food Service						
Child Care						
Total	<u>123</u>	<u>99</u>	<u>75</u>	<u>50</u>	<u>30</u>	<u>24</u>

**Source:** School Personnel Records

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

Pupil/Teacher Ratio

<b>Fiscal Year</b>	<b>Enroll</b>	<b>Operating Expenditures</b>	<b>Cost Per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Elementary</b>	<b>Middle School</b>	<b>Senior High School</b>	<b>Average Daily Enrollment (ADE)</b>	<b>Average Daily Attendance (ADA)</b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2006	380	4,043,704	10,641	-5.30%	50	10	10	10	372.4	365	27.95%	97.30%
2007	439	4,788,813	10,908	2.51%	50	10	10	10	430.2	422	13.50%	98.07%
2008	583	7,044,043	12,082	10.76%	50	9	29	12	586.3	568	36.28%	96.90%
2009	758	11,584,365	15,283	26.49%	75	16	40	19	703.9	731	20.06%	96.50%
2010	902	14,460,330	16,031	4.90%	99	10	10	10	906.2	875	28.74%	96.60%
2011	1,247	20,110,036	16,127	0.59%	123	37	54	32	1256.8	1,209	38.69%	96.20%

Sources: District records

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

<b><u>School Building</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Downtown Campus (MS#1, HS and Network Office)						
Square Feet	43,000	25,220	25,220	25,220	25,220	25,220
Capacity (students)	500	300	300	300	300	300
Enrollment	465			284	289	289
Vailsburg Campus (ES#1, ES#2, MS#3)						
Square Feet	80,000	9,000	9,000	9,000	-	-
Capacity (students)	800	230	230	230	-	-
Enrollment	473	221	221	221	-	-
Clinton Hill Campus (MS#2)						
Square Feet	40,000	40,000	40,000	-	-	-
Capacity (students)	400	300	300	-	-	-
Enrollment	308			-	-	-

Number of Schools at June 30

Elementary = 2  
Middle School = 3  
Senior High School = 1  
Other = 0

**Source:** School Office

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Commercial Property	\$ 25,000,000	\$ 5,000
Boiler and Machinery	1,000,000	5,000
General Automobile Liability	4,000,000	1,000
School Board Legal Liability	1,000,000	10,000
Umbrella	4,000,000	-
Workers' Compensation	2,000,000	-
 Surety Bonds (3)		
School Board Legal Liability	50,000	500
Public Official Bond	100,000	500

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

Fiscal Year Ending June 30,	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2006		250,000				9,105	259,105
2007		274,748				914	275,662
2008		646,086				950	647,036
2009		480,110				385	480,495
2010		724,688				157	724,845
2011		646,618				92	646,710

Source: School records

**Exhibit J-20**

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

**NOT APPLICABLE**

**SINGLE AUDIT SECTION K**

SCOTT J. LOEFFLER  
CERTIFIED PUBLIC ACCOUNTANT  
P. O. BOX 553  
EAST HANOVER, NEW JERSEY 07936

TELEPHONE  
973-585-4989

FAX  
973-240-7318

**EXHIBIT K-1**

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

The Honorable President and  
Members of the Board of Trustees  
North Star Academy Charter School of Newark  
County of Essex  
Newark, New Jersey

I have audited the financial statements of the North Star Academy Charter School of Newark Board of Trustee's, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued my report thereon dated September 15, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J Loeffler" followed by "CPA" in smaller letters.

Scott J Loeffler, CPA

September 15, 2011

**SCOTT J. LOEFFLER**  
CERTIFIED PUBLIC ACCOUNTANT  
P. O. BOX 553  
EAST HANOVER, NEW JERSEY 07936

TELEPHONE  
973-585-4989

FAX  
973-240-7318

**EXHIBIT K-2**

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

The Honorable President and  
Members of the Board of Trustees  
North Star Academy Charter School of Newark  
County of Essex  
Newark, New Jersey

**Compliance**

I have audited the compliance of the North Star Academy Charter School of Newark Board of Trustee's, in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2011. North Star Academy Charter School of Newark Board of Trustee'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 North Star Academy Charter School of Newark Board of Trustee's, management. My responsibility is to express an opinion on the North Star Academy Charter School of Newark Board of Trustee's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the North Star Academy Charter School of Newark's Board of Trustee's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my

opinion. My audit does not provide a legal determination of the North Star Academy Charter School of Newark Board of Trustee's compliance with those requirements.

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

### **Internal Control Over Compliance**

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

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

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

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

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

Licensed Public School Accountant No. 870



Scott J. Loeffler, CPA  
September 15, 2011

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**

**EXHIBIT A**

**Schedule of Federal Financial Assistance  
For the Fiscal Year Ended June 30, 2011**

<b>Federal/Grantor Program Title</b>	<b>CFDA/GRANT Project Number</b>	<b>Grant Period</b>	<b>Award Amount</b>	<b>Balance July 1, 2010</b>	<b>Prior Carry over</b>	<b>Cash Received</b>	<b>Budgetary Expenditures</b>	<b>Refund of Prior Years' Balances</b>	<b>Adjustment</b>	<b>Deferred Revenue/ (Accounts Receivable) June 30, 2011</b>	<b>Due to Grantor at June 30, 2011</b>
<b>Food Subsidy</b>											
Federal School Lunch	*10.555	07/01/10-06/30/11	449,201	(55,533)		\$418,859	\$449,201			(85,875)	
Federal Breakfast	10.553	07/01/10-06/30/11	148,001	(17,180)		135,054	148,001			(30,127)	
National Snack Program	10.555	07/01/10-06/30/11	11,518	(2,296)		12,109	11,518			(1,705)	
Special Revenue Fund											
<b>Special Revenue</b>											
<b>NCLB</b>											
Title I PART A	*84.010	09/01/10-08/31/11	536,562	(75,722)		75,722	0			0	
Title I PART A	*84.010	09/01/10-08/31/11	713,116			551,688	713,116			(161,428)	
Title I ARRA	84.389	09/01/10-08/31/11	51,605			51,605	51,605			0	
Title II PART A	84.367	09/01/10-08/31/11	36,822			36,822	36,822			---	
Title II PART D	84.318	09/01/10-08/31/11	567			567	567				
Charter School Program	*84.282	09/01/10-08/31/11	2,400,000			630,316	794,529			(164,213)	
IDEA											
IDEA PART B	84.027	09/01/10-08/31/11	168,227			123,527	168,227			(44,700)	
Total Special Revenue				0		1,470,247	1,764,866			(370,341)	---
				(\$150,731)		\$2,036,269	\$2,373,586			(\$488,048)	

\*Major Program

**See accompanying notes to the schedules of Federal and State financial assistance.**

EXHIBIT - B

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
 Schedule of State Financial Assistance  
 For the Fiscal Year Ended June 30, 2011

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2010</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2011</u>
GENERAL FUND									
TPAF Social Security	11-495-034-5120-084	7/1/10-06/30/11	474,410		474,410	474,410			
On Behalf Pension	11-495-034-5120-089	7/1/10-06/30/11	350,050		350,050	350,050			
Charter School Aid - Local *	11-495-034-5120-071	7/1/10-06/30/11	2,178,570		2,178,570	2,178,570			
Charter School Aid - State *	11-495-034-5120-071	7/1/10-06/30/11	14,711,024		14,711,024	14,711,024			
Special Education	11-495-034-5120-089	7/1/10-06/30/11	278,017		278,017	278,017			
Security Aid	11-495-034-5120-084	7/1/10-06/30/11	520,548		520,548	520,548			
Total General Fund				--	18,512,619	18,512,619			
ENTERPRISE FUND									
State School Breakfast	11-100-010-3350-021	7/1/10-06/30/11	0	(1,259)	1,259	0			0
State School Lunch	11-100-010-3350-023	7/1/10-06/30/11	10,182	(2,329)	10,393	10,182			(2,118)
Total Enterprise				(3,588)	11,652	10,182			(2,118)
GRAND TOTAL				--	(3,588)	18,524,271	18,522,801		(2,118)

\*Major Program

See accompanying notes to the schedules of Federal and State financial assistance.

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

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of awards and financial assistance present the activity of all federal and state award programs of the North Star Academy Charter School of Newark. The North Star Academy Charter School of Newark is defined in the Notes to the school's general-purpose financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

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

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

**NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
(continued)**

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

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ ---	\$18,512,619	\$18,512,619
Special Revenue Fund	1,764,866	---	1,764,866
Food Service Fund	<u>608,720</u>	<u>10,182</u>	<u>618,902</u>
Total Awards and Financial Assistance	<u>\$2,373,586</u>	<u>\$18,522,801</u>	<u>\$20,896,387</u>

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

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

**NOTE 5. OTHER**

The amount paid as TPAF Pension Contributions represents the state on behalf of the Charter School for the year ended June 30, 2011 was \$350,050. TPAF Social Security Contributions represents the amount of \$474,410 reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Financial Statement Section**

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

**Federal Awards**

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

Identification of major programs:

<u>C DFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.010	No Child Left Behind – Title I	
84.282	Charter School Program	
10.555	Federal Lunch Program	
84.389	Title I - ARRA	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000
Auditee qualified as low risk auditee:		X

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)**

<b>State Awards</b>	<b><u>YES</u></b>	<b><u>NO</u></b>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000	
Auditee qualified as low risk auditee:		<b>X</b>
Type of auditor’s report issued:		Unqualified
Internal control over major programs:		
Material weakness(es) identified:		<b>X</b>
Significant deficiencies identified not considered to be material weakness(es)?		<b>X</b>
Type of auditor’s report on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?		<b>X</b>

Identification of major programs:

<b><u>C DFA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
11-495-034-5120-071	Charter School Aid Local and State

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011**

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2011**

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

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

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

**Status of Prior Year Findings**

No findings were reported for the prior year.