



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

chARTer~TECH High School for the Performing Arts
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INTRODUCTORY SECTION

chARTer--TECH High School for the Performing Arts

www.chartertech.org

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Lewis London, Artistic Coordinator

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October 28,2011

The Honorable President and
Members of the Board of Trustees
chARTer-TECH High School for the Performing Arts

Dear Board Members:

The comprehensive annual financial report of the chARTer-TECH High School for the Performing Arts (District) 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 Board of Trustees (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the 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, the School's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The School is required to undergo an annual single audit in conformity with the provisions of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The chARTer-TECH High School for the Performing Arts is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No.3. All funds and account groups of the School are included in this report. The chARTer-TECH High School for the Performing Arts Board of Trustees constitute the School's reporting entity. The School provides a full range of educational services appropriate to grade levels ninth to twelve grades. These services include regular, special education for students with disabilities, as well as basic skills improvement for lower functioning students. The School completed the 2010-2011 fiscal year with an enrollment of 275 students.

2) ECONOMIC CONDITION AND OUTLOOK: Although the chARTer-TECH community is essentially fully developed, enrollments will be changed based on an approved enrollment increase of our Charter. The School is situated on Route 9 at 413 New Road, Somers Point, New Jersey 08244

3) MAJOR INITIATIVES: The district has identified three target areas in which staff and administration will focus in an effort to increase and sustain student academic achievement which is in essence our ultimate goal. To achieve that goal, the Board has formed a new committee structure to help with our new increase in enrollment and building expansion plan.

4) INTERNAL ACCOUNTING CONTROLS: Management of the School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the costs 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 recipient of Federal and State financial aid, the School also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the 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 State of New Jersey Department of Education. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2009.

6) ACCOUNTING SYSTEM AND REPORTS: The School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. The funds and account groups are explained in "Notes to Financial Statement", Note 1.

7) CASH MANAGEMENT: The investment policy of the School is guided in large part by State statute as detailed in "Notes to Financial Statements", Note 2. The School has 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 public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, worker's compensation, hazard and theft insurance on property and contents, and surety bonds.

9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit

Organizations and State of New Jersey Circular 04-04-0MB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

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

Respectfully submitted,

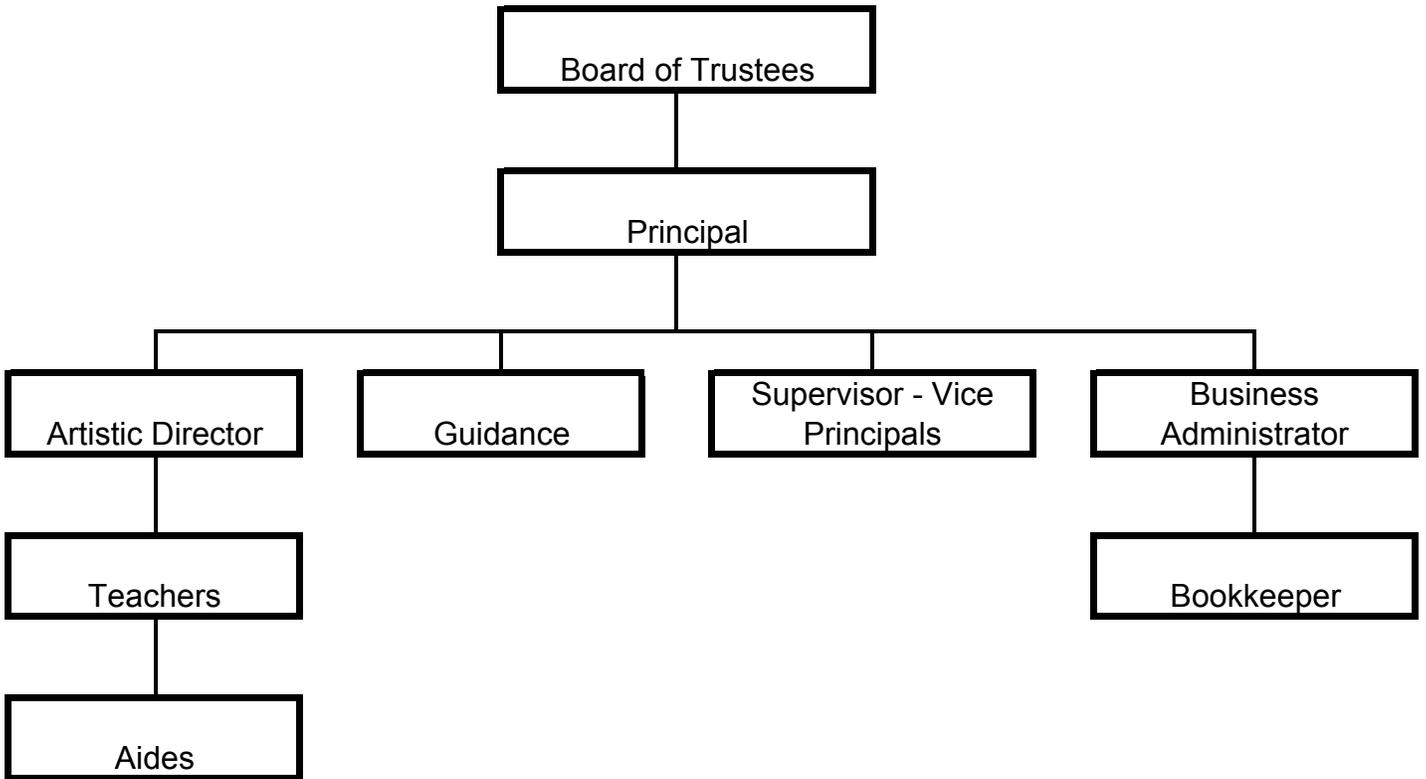


Janice Strigh
Principal/Lead Person



Dr. Ann F. Garcia
School Business Administrator/
Board Secretary

chARTer~TECH High School for the Performing Arts, Inc.
Organizational Chart



**chARTer~TECH High School for the Performing Arts, Inc.
Somers Point, New Jersey**

**Roster of Officials
June 30, 2011**

Members of the Board of Trustees

Louis Klause, President

Lynn Sennett, Vice President

Jeffrey Caraway

Vanessa Lovelace

Linda DeSouza

Kim Talvacchia

Other Officials

Janice Strigh, MS, Principal

Dr. Ann Garcia, SBA/BS

Phyllis London, Assistant Board Secretary

**chARTer~TECH High School for the Performing Arts, Inc.
Consultants and Advisors**

Audit Firm

Bowman & Company, LLP
601 White Horse Road
Voorhees, New Jersey 08043-2493

Attorney

Gary R. Griffith, Esq.
Griffith & Carlucci, P.C.
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Ocean City, New Jersey 08226

Official Depositories

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Reading, PA 19612-2646

Ocean City Bank
1001 Asbury Avenue
Ocean City, NJ 08226-0447

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
charter~TECH High School for the Performing Arts, Inc.
Somers Point, New Jersey

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the chARTer~TECH High School for the Performing Arts, Inc., in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the chARTer~TECH High School for the Performing Arts, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the chARTer~TECH High School for the Performing Arts, Inc. in the County of Atlantic, State of New Jersey as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2011 on our consideration of the chARTer~TECH High School for the Performing Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

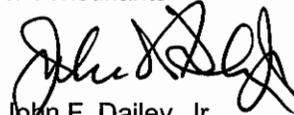
The accompanying management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the chARTer~TECH High School for the Performing Arts, Inc.'s basic financial statements. 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 and Audits of States, Local Governments, and Non-Profit Organizations. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



John F. Dailey, Jr.
Certified Public Accountant
Public School Accountant No. CS 00140

Voorhees, New Jersey
October 27, 2011

**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**

Members of the Board of Trustees
chARTer~TECH High School for the Performing Arts, Inc.
Somers Point, New Jersey

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the chARTer~TECH High School for the Performing Arts, Inc., in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations and Independent Auditor's Management Report on Administrative Findings—Financial, Compliance and Performance that we consider to be significant deficiencies in internal control over financial reporting as findings no.: 2011-1, 2011-2 and 2011-3. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the chARTer~TECH High School for the Performing Arts, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 which are described in the accompanying Schedule of Findings and Recommendations and Independent Auditor's Management Report on Administrative Findings-- Financial, Compliance and Performance as findings no.: 2011-1, 2011-2 and 2011-3.

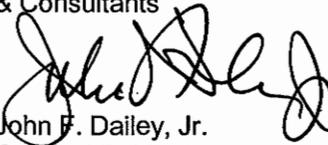
The chARTer~TECH High School for the Performing Arts, Inc.'s responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. We did not audit the Charter School's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Charter School and the Division of Finance of the New Jersey Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



John F. Dailey, Jr.
Certified Public Accountant
Public School Accountant No. CS 00140

Voorhees, New Jersey
October 27, 2011

REQUIRED SUPPLEMENTARY INFORMATION
PART I

chARTer~TECH High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited

The Charter Tech High School for the Performing Arts Management Discussion and Analysis (MD&A) is designed to provide an overview of the Charter School's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The focus of the MD&A is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the Charter School's Financial Statements.

Financial Highlights

Key financial highlights for Fiscal Year 2010-2011 include the following:

- The assets of the Charter School exceeded its liabilities at the close of the most recent fiscal year by \$1,666,096.26 (net assets).
- The Charter School's total net assets increased by \$221,490.04. This increase resulted from normal operations and a deliberate reduction in expenses.
- As of the close of the current fiscal year, the Charter School's governmental funds reported combined ending fund balances of \$183,566.86, an increase of \$53,086.69 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$183,566.86, an increase of \$53,086.69 from that of the prior fiscal year.

Overview of Financial Highlights

The financial section of the annual report consists of four parts:

1. Independent Auditor's Report
2. Required Supplementary Information, including the MD&A (this section)
3. Basic Financial Statements (Statement of Net Assets and the Statement of Activities)
4. Supplementary Information

The district-wide financial statements are designed to be corporate-like in that all government, business-type activities and the activities of its discreetly presented component unit are consolidated into columns, which add to a total for the Charter School. Currently, the Charter School has no business-type activities. The focus of the Statement of Net Assets is designed to be similar to a bottom line for the Charter School and its government and component unit activities. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The statement of activities is focused on both the gross and net costs of various activities (including governmental and component unit type), which are provided by the Charter School's general and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to the activities of the component unit.

The basic financial statements include two kinds of statements that present different views for the Charter School. The first two statements are district-wide financial statements that provide both long-term and short-term information about the Charter School's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Charter School's operations in more detail than the district-wide statements.

chARTer~TECH High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited

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

Fiduciary fund statements provide information about the financial relationships in which the Charter School acts as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statements are followed by required supplementary information that further explains and supports the information in the financial statements including; budget schedules, reconciliations and individual fund statements.

Reporting the Charter School's Most Significant Funds

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities include all assets and liabilities of the Charter School using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes in to account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and Statement of Activities, the Charter School reports governmental activities and the activities of its component unit. Governmental activities are the activities where most of the Charter School's programs and services are reported including, but not limited to, Instruction, Administration and Support Services.

Fund Financial Statements

The Fund financial reports provide detailed information about the Charter School's major funds. The Charter School uses several funds to account for a variety of financial transactions. However, these fund financial statements focus on the Charter School's most significant funds. The Charter School's major governmental funds are the General Fund and the Special Revenue Fund.

Government Funds

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

chARTer~TECH High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited

The Charter School as a Whole

The Statement of Net Assets provides the perspective of the charter school as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The school's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the Charter School's net assets for the years ended June 30, 2011 and 2010:

Table 1

chARTer~TECH High School for the Performing Arts, Inc.				
Statement of Net Assets				
	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 26,349.62	\$ 59,808.60		
Receivables, Net	158,685.86	76,259.71		
Interfund Receivable	6,100.17	25,275.30		
Capital Assets, net (Note 5)	<u>996,780.49</u>	<u>1,025,915.08</u>	<u>\$ 3,740,641.90</u>	<u>\$ 3,878,612.93</u>
Total Assets	<u>1,187,916.14</u>	<u>1,187,258.69</u>	<u>3,740,641.90</u>	<u>3,878,612.93</u>
LIABILITIES:				
Payable to Other Governments	2,872.77	2,872.77		
Deferred Revenue	4,696.02	27,990.67		
Noncurrent Liabilities:				
Due within One Year			348,499.33	335,550.04
Due beyond One Year			<u>2,906,393.66</u>	<u>3,254,851.92</u>
Total Liabilities	<u>7,568.79</u>	<u>30,863.44</u>	<u>3,254,892.99</u>	<u>3,590,401.96</u>
NET ASSETS:				
Investment in Capital Assets, Net of Related Debt	996,780.49	1,025,915.08		
Unrestricted (Deficit)	<u>183,566.86</u>	<u>130,480.17</u>	<u>485,748.91</u>	<u>288,210.97</u>
Total Net Assets	<u>\$ 1,180,347.35</u>	<u>\$ 1,156,395.25</u>	<u>\$ 485,748.91</u>	<u>\$ 288,210.97</u>

In total, assets of governmental activities increased \$23,952.10, primarily due to a deliberate decrease in spending by the Charter School.

**chARTer~TECH High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

Table 2 shows the changes in net assets for fiscal year 2011:

Table 2
chARTer~TECH High School for the Performing Arts, Inc.
Change in Net Assets

	Governmental Activites		Component Unit	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues:				
Program Revenues:				
Operating Grants and Contributions	\$ 202,013.87	\$ 274,327.20		
General Revenues:				
Local Levy	3,514,708.00	3,344,083.00		
State Aid - Not Restricted	551,405.27	384,484.47		
Investment Earnings				
Other	8,351.26	42,357.74	\$ 797,029.89	\$ 654,485.98
Total Revenues	<u>4,276,478.40</u>	<u>4,045,252.41</u>	<u>797,029.89</u>	<u>654,485.98</u>
Expenses:				
Instruction	1,648,071.84	1,671,522.80		
Administration	1,173,178.76	1,146,985.96	599,491.95	479,074.67
Support Services	1,431,275.70	1,592,963.85		
Total Expenses	<u>4,252,526.30</u>	<u>4,411,472.61</u>	<u>599,491.95</u>	<u>479,074.67</u>
Change in Net Assets	23,952.10	(366,220.20)	197,537.94	175,411.31
Net Assets, July 1 (Restated)	<u>1,156,395.25</u>	<u>1,522,615.45</u>	<u>288,210.97</u>	<u>112,799.66</u>
Net Assets, June 30	<u>\$ 1,180,347.35</u>	<u>\$ 1,156,395.25</u>	<u>\$ 485,748.91</u>	<u>\$ 288,210.97</u>

Governmental Activities

The local levy and federal and state aid made up 99% of revenues for governmental activities for the Charter School in fiscal year 2011.

Instructional expenses calculated using a formula issued by the New Jersey Department of Education for Charter Schools comprises 60% of Charter School's governmental expenses. Administration Expenses are 23% and support service expenses make up 18% of the governmental expenses. The remainder was attributed to capital outlay.

The Statement of Activities shows the cost of the governmental activities' program services and the changes for services and grants offsetting those services. Table 3 below shows the total cost of services and the net cost of services for fiscal year 2011. The table shows the cost of these services supported by program revenues.

chARTer~TECH High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited

The Statement of Activities shows the cost of the governmental activities' program services and the changes for services and grants offsetting those services. It also shows the activities of the component unit, Charterland LLC. Table 3 below shows the total cost of services and the net cost of services for the governmental activities for fiscal year 2011. The table shows the cost of these services supported by general revenues.

Table 3

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Instruction	\$ 1,648,071.84	\$ 1,671,522.80	\$ 1,476,887.25	\$ 1,503,534.60
Administration	1,173,178.76	1,146,985.96	1,173,178.76	1,146,985.96
Support Services	1,431,275.70	1,592,963.85	1,400,446.42	1,486,624.85
	<u>\$ 4,252,526.30</u>	<u>\$ 4,411,472.61</u>	<u>\$ 4,050,512.43</u>	<u>\$ 4,137,145.41</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Administrative expenses include expenses associated with establishing and administering policy for the Charter School.

Support Services are expenditures for the maintenance of the plant.

The dependence upon the revenues received from sending districts and federal and state aid is apparent. The revenues from sending districts and federal and state governments are the primary financial support for the Charter School.

The Charter School's Funds

The Charter School's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$4,276,478.40 and expenditures of \$4,223,391.71. The fund balance in the General Fund was \$183,566.86 a net increase of \$53,086.69 over the prior fiscal period.

General Funds Budgetary Highlights

The Charter School's budget is prepared in accordance with New Jersey Law. The most significant budgeted fund is the General Fund. During the course of the 2011 fiscal year, the Charter School modified its General Fund budget to accommodate revised revenue calculations provided from the State of New Jersey. Revenue calculations are based on enrollment counts performed during the year and are dependent on the sending district the student's residency is reported in.

**chARTer~TECH High School for the Performing Arts, Inc.
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011
Unaudited**

General Funds Budgetary Highlights (Cont'd)

For the General Fund, the final budget basis revenue was \$3,506,007.00. The original budgeted estimate was \$3,506,007.00.

During fiscal year 2011, the Charter School anticipated General Fund Revenue from the following sources:

Source	<u>Final Budget</u>
Local Levy - Local Share	\$ 3,377,055.00
Categorical Aid:	
Special Education Aid	85,924.00
Security Aid	43,028.00
	<u>\$ 3,506,007.00</u>

Overall the general funds expenditures for the year were under budget \$75,970.16. Instructional expense was 35.7% of total expenditures with Administration at 29.5% and Support Services at 28.3%. Capital Outlay and TPAF Social Security were a combined 6.5%. Total expenditures were \$4,021,377.84.

Capital Assets

The Charter School's investment in capital assets is \$996,780.49 which is net of accumulated depreciation of \$508,807.98, and consists primarily of leasehold improvements, instructional equipment, computer equipment, office equipment and general equipment. Charterland, LLC a component unit of the Charter School owns the building. Charterland's investment in capital assets was \$3,740,641.90 which is net of accumulated depreciation of \$1,148,488.88.

Outstanding Debt

Charterland, LLC has outstanding debt in the amount of \$3,254,892.99 for the school facility and a property lease. The Charter School leases the facility from Charterland LLC under an operating lease agreement.

Economic Factors and Next Year's Budgets and Rates

The Charter School maintained its budget through the revenue received from sending districts for their local levy, state levy and categorical aid specific for their students and from federal and state aid and miscellaneous revenue sources. Approximately, 82.1% of total revenue is from the local and state levy, 12.9% is from categorical and other state aid, 4.7% from federal grants. As a charter school, revenues are driven by the residency of its student population and the level of enrollment of students in those sending districts.

Contacting the Charter School's Financial Management

This financial report is designed to provide our parents, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have any questions about this report or need additional information, contact Dr. Ann Garcia, School Business Administrator, at chARTer~TECH High School for the Performing Arts, Inc., 413 New Road, Somers Point, New Jersey.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

chARTer~TECH High School for the Performing Arts, Inc.
Statement of Net Assets
June 30, 2011

	Governmental <u>Activities</u>	Charterland <u>L.L.C.</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 26,349.62		\$ 26,349.62
Receivables, net	158,685.86		158,685.86
Interfunds Receivable	6,100.17		6,100.17
Capital Assets, net (Note 5)	996,780.49	\$ 3,740,641.90	4,737,422.39
Total Assets	<u>1,187,916.14</u>	<u>3,740,641.90</u>	<u>4,928,558.04</u>
LIABILITIES:			
Payable to Federal Government	2,872.77		2,872.77
Deferred Revenue	4,696.02		4,696.02
Noncurrent Liabilities (Note 6):			
Due within One Year		348,499.33	348,499.33
Due beyond One Year		2,906,393.66	2,906,393.66
Total Liabilities	<u>7,568.79</u>	<u>3,254,892.99</u>	<u>3,262,461.78</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	996,780.49		996,780.49
Unrestricted	183,566.86	485,748.91	669,315.77
Total Net Assets	<u>\$ 1,180,347.35</u>	<u>\$ 485,748.91</u>	<u>\$ 1,666,096.26</u>

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

chARTer~TECH High School for the Performing Arts, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Charterland L.L.C	Total
Governmental Activities:						
Instruction	\$ 1,648,071.84		\$ 171,184.59	\$ (1,476,887.25)		\$ (1,476,887.25)
Administration	1,173,178.76			(1,173,178.76)	\$ (599,491.95)	(1,772,670.71)
Support Services	1,431,275.70		30,829.28	(1,400,446.42)		(1,400,446.42)
Total Governmental Activities	4,252,526.30	-	202,013.87	(4,050,512.43)	(599,491.95)	(4,650,004.38)
Total Primary Government	\$ 4,252,526.30	-	\$ 202,013.87	(4,050,512.43)	(599,491.95)	(4,650,004.38)
General Revenues:						
Local Levy				3,514,708.00		3,514,708.00
Categorical Aid and Other State Aid - Not Restricted				551,405.27		551,405.27
Miscellaneous Income				8,351.26	797,029.89	805,381.15
Total General Revenues				4,074,464.53	797,029.89	4,871,494.42
Change in Net Assets				23,952.10	197,537.94	221,490.04
Net Assets -- July 1				1,156,395.25	288,210.97	1,444,606.22
Net Assets -- June 30				\$ 1,180,347.35	\$ 485,748.91	\$ 1,666,096.26

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

FUND FINANCIAL STATEMENTS

chARTer~TECH High School for the Performing Arts, Inc.
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 26,349.62					\$ 26,349.62
Interfund Receivables						
Special Revenue Fund	35,443.76					35,443.76
Fiduciary Funds	6,100.17					6,100.17
Intergovernmental Receivables						
Federal Receivables		\$ 43,012.55				43,012.55
State Receivables	1,781.72					1,781.72
Local	113,891.59					113,891.59
Total Assets	\$ 183,566.86	\$ 43,012.55	-	-	-	\$ 226,579.41
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Interfund Payables						
General Fund		35,443.76				35,443.76
Payable to Federal Government		2,872.77				2,872.77
Deferred Revenue		4,696.02				4,696.02
Total Liabilities		43,012.55	-	-	-	43,012.55
Fund Balances:						
Unassigned						
General Fund	183,566.86					183,566.86
Total Fund Balances	183,566.86	-	-	-	-	183,566.86
Total Liabilities and Fund Balances	\$ 183,566.86	\$ 43,012.55	-	-	-	
Amounts reported for <i>governmental activities</i> 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 \$1,505,588.47, and the accumulated depreciation is \$508,807.98.						
						996,780.49
Net assets of governmental activities						\$ 1,180,347.35

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

chARTer~TECH High School for the Performing Arts, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
REVENUES:						
Local Levy - Charter School Aid	\$ 3,514,708.00					\$ 3,514,708.00
Miscellaneous	8,351.26					8,351.26
State Sources	551,405.27					551,405.27
Federal Sources		\$ 202,013.87				202,013.87
Total Revenues	<u>4,074,464.53</u>	<u>202,013.87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,276,478.40</u>
EXPENDITURES:						
Instruction	1,436,460.90	159,902.59				1,596,363.49
Administrative	1,184,470.52					1,184,470.52
Support Services	1,379,646.42	30,829.28				1,410,475.70
Capital Outlay	20,800.00	11,282.00				32,082.00
Total Expenditures	<u>4,021,377.84</u>	<u>202,013.87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,223,391.71</u>
Net Change in Fund Balances	53,086.69	-			-	53,086.69
Fund Balance -- July 1	<u>130,480.17</u>	<u>-</u>			<u>-</u>	<u>130,480.17</u>
Fund Balance -- June 30	<u>\$ 183,566.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 183,566.86</u>

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

chARTer~TECH High School for the Performing Arts, Inc.
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Total Net Change in Fund Balances - Governmental Funds		\$ 53,086.69
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	\$ (70,584.41)	
Capital Outlays	32,082.00	
Other expenses capitalized in accordance with the Charter School's policies	32,592.82	
Less: Capital Outlays expensed in accordance with the Charter School's policies	(20,800.00)	
Less: Loss on Disposal of Assets	<u>(2,425.00)</u>	
	<u>\$ (29,134.59)</u>	
Change in Net Assets of Governmental Activities		<u>\$ 23,952.10</u>

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

chARTer~TECH High School for the Performing Arts, Inc.
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2011

	Agency Funds	
	<u>Student Activity</u>	<u>Payroll</u>
ASSETS:		
Cash and Cash Equivalents	\$ 55,412.64	\$ 19,447.21
Payroll Deductions and Withholdings		
	<u>\$ 55,412.64</u>	<u>\$ 19,447.21</u>
Total Assets	\$ 55,412.64	\$ 19,447.21
LIABILITIES:		
Interfund Payable - General Fund		\$ 6,100.17
Payable to Student Groups	\$ 55,412.64	
Payroll Deductions and Withholdings		13,347.04
	<u>\$ 55,412.64</u>	<u>13,347.04</u>
Total Liabilities	\$ 55,412.64	\$ 19,447.21

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

chARTer~TECH High School for the Performing Arts, Inc.
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The chARTer~TECH High School for the Performing Arts, Inc. (hereafter referred to as the "Charter School") is a Charter School located in the County of Atlantic, State of New Jersey. The Charter School functions independently through a Board of Trustees. The Board consists of not less than seven but no more than nine voting members. Two of the voting members shall be elected by the Founders of the Corporation, serving a term of two years each. Three of the voting members ("at-large members") shall be elected by the prior year's Board, also serving a term of two years each. Two of the voting members shall be elected by the parents and/or legal guardians of the students enrolled in the school operated by the Corporation during that fiscal/school year, each serving a one year term. The Board shall have not less than one ex-officio member who is an enrolled student of the school, elected by the students of the school operated by the Corporation during that fiscal/school year, to serve a term of one period. The Board will also have not less than one ex-officio member who is a teacher employed by the school, elected by the teachers employed by the school operated by the Corporation during that fiscal/school year, serving a term of one year. The purpose of the Charter School is to educate students in grades nine through twelve at its one school. The Charter School has an approximate enrollment at June 30, 2011 of 287.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

Reporting Entity and Consolidation - The accompanying consolidated financial statements include the accounts of chARTer~TECH High School for the Performing Arts, Inc. and Charterland, L.L.C., a limited liability company whose sole member is the Charter School. Intercompany transactions and balances have been eliminated in consolidations.

Basis of Presentation - The financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Charter School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities, and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Charter School's accounting policies are described in this note.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Charter School that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities and for the business-type activities of the Charter School. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. The policy of the Charter School is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements - During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter School's major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Governmental Funds (Cont'd)**

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. For the fiscal year ended June 30, 2011, the Charter School did not have a capital projects fund.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the fiscal year ended June 30, 2011, the Charter School did not have a debt service fund.

Permanent Fund - The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Charter School's programs, that is, for the benefit of the Charter School or its students as a whole. The Charter School does not maintain a Permanent Fund.

Proprietary Funds - Proprietary funds are used to account for the Charter School's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations

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

The Charter School serves lunch to those students attending the school, however, no costs are incurred and no revenues are realized. The Mainland Regional High School Board of Education supplies the Charter School with food and supplies. All revenues and expenditures are recorded on Mainland's financial statements. All meal counts are reported by the Mainland Regional High School Board of Education.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported in proprietary fund balance sheets. The Charter School does not maintain an Enterprise Fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Pension trust funds are used to account for resources held in trust for employees and their beneficiaries based on defined benefit pension agreements, defined contribution agreements, other postemployment benefit agreements, and other employee benefit arrangements. Investment trust funds are used to report the external portion of an investment pool as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Charter School has two fiduciary funds, a student activity fund, and payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Charter School are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Charter School finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting (Cont'd)**

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

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include sending district payments, grants, entitlements, and donations. The Charter School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of the restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. Restricted formula aids, which include N.C.L.B., I.D.E.I.A., Carl D. Perkins and Learn and Serve, are recorded in the special revenue fund in accordance with *The Audit Program* promulgated by the New Jersey Department of Education, which requires that these grants be realized in an amount equal to program expenditures.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: revenues from sending districts, grants, fees, and rentals.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets / Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general and special revenue funds. The budgets are submitted to the Department of Education for review. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. Encumbrance accounting is also 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 (CONT'D)

Budgets / Budgetary Control (Cont'd) - The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1 and Exhibit C-2 include all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds.

Encumbrances - Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Charter School has received advances of grant awards, are reflected on the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Tuition Receivable - The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the district of residence of the Charter School or are non-resident students. Revenues from sending districts that have not been received as of June 30, 2011 have been accrued.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

Revenues from District of Residence, Region of Residence and Non-Resident Districts - The Charter School's primary source of revenue is from the district of residence, region of residence or non-resident districts from which its students are enrolled in the Charter School. The amounts are calculated from the most recent budget data of the student's district.

Local Levy – Equalization Aid State and Local Share – The charter school's funding is pursuant to the *School Funding Reform Act of 2008*, which states the school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation.

Special Education / Security Aid – The school district of residence shall pay directly to the charter school the security aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the charter school.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2011. The Charter School had no prepaid expenses as of June 30, 2011.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the Charter School and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund receivable and / or interfund payable.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets (Cont'd) - All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000.00. The Charter School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	30 Years
Furniture, Fixtures and Equipment	5 - 10 Years
Instructional Equipment	5 - 10 Years
Computer Equipment	3 Years

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

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 balances of any borrowings 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 Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

It is the Charter School's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance - The Charter School reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Charter School's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's highest level of decision-making authority, which, for the Charter School, is the Board of Trustees. Such formal action consists of an affirmative vote by the Board of Trustees, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Trustees removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Trustees or by the business administrator, to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Trustees.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Charter School to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Charter School to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The Charter School does not maintain any Proprietary Funds. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interfund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition.

As of June 30, 2011, all the Charter School's bank balances of \$204,397.78 was insured and collateralized.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 consisted of sending districts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds.

Accounts receivable as of fiscal year end for the Charter School's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Intergovernmental	<u>\$ 115,673.31</u>	<u>\$ 43,012.55</u>	<u>-</u>	<u>-</u>	<u>\$ 158,685.86</u>

All receivables are deemed to be collectable within one year.

Note 4: INVENTORY

As of June 30, 2011, the Charter School did not maintain any inventory.

Note 5: CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
Leashold Improvement	\$ 1,225,829.69	\$ 9,900.00		\$ 1,235,729.69
Office Equipment	71,600.00	22,777.20	\$ 20,200.00	74,177.20
Instructional Equipment	168,083.96	11,197.62	5,500.00	173,781.58
General Equipment	21,900.00			21,900.00
Total Capital Assets, being Depreciated	<u>1,487,413.65</u>	<u>43,874.82</u>	<u>(25,700.00)</u>	<u>1,505,588.47</u>
Leasehold Improvement	(300,920.82)	(41,190.99)		(342,111.81)
Office Equipment	(43,722.50)	(9,560.44)	19,700.00	(33,582.94)
Instructional Equipment	(103,605.25)	(18,372.98)	3,575.00	(118,403.23)
General Equipment	(13,250.00)	(1,460.00)		(14,710.00)
Total Accumulated Depreciation	<u>(461,498.57)</u>	<u>(70,584.41) *</u>	<u>23,275.00</u>	<u>(508,807.98)</u>
Total Capital Assets, being Depreciated, Net	<u>1,025,915.08</u>	<u>(26,709.59)</u>	<u>(2,425.00)</u>	<u>996,780.49</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,025,915.08</u>	<u>\$ (26,709.59)</u>	<u>\$ (2,425.00)</u>	<u>\$ 996,780.49</u>
Component Unit:				
Total Capital Assets, being Depreciated:				
Land	\$ 4,139,130.78			\$ 4,139,130.78
Building	750,000.00			750,000.00
Less Accumulated Depreciation	<u>1,010,517.85</u>	<u>\$ 137,971.03</u>		<u>1,148,488.88</u>
Total Component Unit Capital Assets, Net	<u>\$ 3,878,612.93</u>	<u>\$ 137,971.03</u>	<u>-</u>	<u>\$ 3,740,641.90</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 61,023.97
Administrative	<u>9,560.44</u>
Total Depreciation Expense	<u>\$ 70,584.41</u>

Note 6: LONG-TERM OBLIGATIONS

Mortgage Payable – Charterland, LLC borrowed \$3,600,000.00 during the year ended June 30, 2003 from a local bank under a loan guaranteed by the New Jersey Economic Development Authority to finance their school facility. The note bears interest at a rate of 5 percent through August 2004, 7.45 percent from September 2004 through August 2012 and at a floating rate equal to the one month LIBOR Rate times eighty-five percent, plus two hundred fifteen basis points thereafter. Interest is payable monthly and principal is payable based on a twenty-five year amortization schedule which includes a balloon payment of \$2,823,792.85 at the end of the twenty-five year period. The mortgage is secured by real estate, contents and other property of Charterland, LLC and chaARTer~TECH High School for the Performing Arts. Interest expense related to this obligation was \$226,428.44 for the year ended June 30, 2011, all of which is included in administrative expenses in the district-wide financial statements.

Minimum debt payments under this agreement for the next two years as of June 30, 2011 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 102,784.46	\$ 219,499.60	\$ 322,284.06
2013	<u>2,841,611.45</u>	<u>18,229.73</u>	<u>2,859,841.18</u>
	<u>\$ 2,944,395.91</u>	<u>\$ 237,729.33</u>	<u>\$ 3,182,125.24</u>

During the year ended June 30, 2009, Charterland, LLC borrowed an additional \$437,000.00 and obtained a \$500,000.00 demand line of credit. The loan was then entered into a Swap Agreement by Charterland, LLC in which the original loan did bear interest at a floating rate of two hundred sixty basis points in excess of the 1-Month "LIBOR" rate. "LIBOR" shall mean, as applicable to any LIBOR Advance, a rate per annum equal to the composite London Interbank Offered Rate which appears on the Reuters Screen LIBOR01 Page as of 11:00 a.m. London time on the day that is two London Banking Days preceding the first day of such LIBOR period, but was then swapped with the local bank for a fixed rate of 6.20% per annum. The loan and demand line of credit both shall have the unlimited and unconditional guaranty of Charter-Tech High School for Performing Arts, Inc. Interest expense related to this obligation was \$11,993.75 for the year ended June 30, 2011, all of which is included in administrative expenses in the district-wide financial statements. Minimum debt payments under this agreement for the next two years as of June 30, 2011 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 111,574.44	\$ 4,991.25	\$ 116,565.69
2013	<u>18,595.85</u>	<u>147.32</u>	<u>18,743.17</u>
	<u>\$ 130,170.29</u>	<u>\$ 5,138.57</u>	<u>\$ 135,308.86</u>

As of June 30, 2011, the Charter School had drawn \$200,000.00 on the line of credit, but repaid the line of credit by the end of the fiscal year. (Also see Note 17).

Note 6: LONG-TERM OBLIGATIONS (CONT'D)

Leases Payable - As of June 30, 2009, Charterland, LLC had entered into an agreement for a property lease. The term of the lease shall consist of the "Initial Term" and the "Renewal Term". The "Initial Term" shall be for a period of thirty five years with a "Renewal Term" at the Tenant's sole option for one additional term of thirty five years from and after the expiration of the Initial Term by Tenant giving Landlord prior written notice of the exercise of the Renewal Term not less than Thirty-Six months prior to the end of the initial term. The Tenant shall pay to the Landlord, the sum of \$750,000.00 which shall represent the Base Rent for the entire Initial Term with \$300,000.00 in initial payments.

Minimum lease payments under this agreement for the next two years as of June 30, 2011 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 134,181.50	\$ 5,137.24	\$ 139,318.74
2013	46,145.29	275.89	46,421.18
	<u>\$ 180,326.79</u>	<u>\$ 5,413.13</u>	<u>\$ 185,739.92</u>

Note 7: OPERATING LEASES

At June 30, 2011, the Charter School had operating lease agreements in effect for a copy machine. The future minimum rental payments under the operating lease agreements are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2012	\$ 12,060.00
2013	12,060.00
2014	12,060.00
2015	10,050.00
	<u>\$ 46,230.00</u>

Rental payments under operating leases for the fiscal year ended June 30, 2011 were \$12,060.00.

Note 8: FINANCIAL COVENANTS IN BOND DOCUMENTS

In accordance with Charterland, LLC's EDA Bonds (Note 6), a minimum debt service coverage ratio ("DSCR") of 1.15 to 1.0 must be maintained by chARTer~TECH before taxes and debt service and without deduction for depreciation or amortization (as determined in accordance with generally accepted accounting principles (GAAP) and after deduction for fees, loans, salaries or other distributions made or accrued by chARTer~TECH, to the annual debt service on the Bond. The DSCR for fiscal year June 30, 2011 is as follows:

Debt Service Coverage Ratio (DSCR):

Aggregate Net Revenue:	
Excess of revenues over expenditures	\$ 221,490.04
Interest payments on EDA bond debt service	226,428.44
Depreciation Expense included in expenses	208,555.44
Fund Balance utilized in charter school operating budget	-
	<u>\$ 656,473.92</u>
Debt Service payments made on EDA Bonds	<u>\$ 322,433.26</u>
Actual Debt Service Coverage Ratio	<u>2.04 to 1</u>
Required Debt Service Coverage Ratio	<u>1.15 to 1</u>

Note 9: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. Also, certain employees can participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Note 9: PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd) - Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Charter School and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Charter School is billed annually for its normal contribution plus any accrued liability. The Charter School's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2011	\$ 16,223.00	\$ 21,596.00	\$ 37,819.00	\$ 37,819.00
2010	9,983.00	9,741.00	19,724.00	19,724.00
2009	11,240.00	10,253.00	21,493.00	21,493.00

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

As of June 30, 2011, the Charter School did not have any employees participating in the defined contribution retirement program.

Note 10: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a 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 retire from a Board of Trustees or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2011, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$4,930.00 and \$104,714.00, respectively.

Note 12: RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contribution Method". Under this plan, the Charter School files a quarterly payroll tax return to remit the liability to the fund based on the amount of covered quarterly payroll at their annually assigned contribution rate.

Note 13: INTERFUND BALANCES AND TRANSFERS

The following interfund balances were recorded on the various balance sheets as June 30, 2011:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 41,543.93	
Special Revenue		\$ 35,443.76
Fiduciary		6,100.17
	<u>\$ 41,543.93</u>	<u>\$ 41,543.93</u>

The interfund payable in the Special Revenue Fund represents financial activity where the School District has receivables for Federal Grants. The interfund payable in the Fiduciary Funds represent timing differences at fiscal year end. All of these interfund balances are expected to be liquidated within one year.

Note 14: FUND BALANCES**UNASSIGNED**

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Charter School's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2011, \$183,566.86 of general fund balance was unassigned.

Note 15: CONTINGENT LIABILITY

In connection with the State of New Jersey approving the charter, the Charter School has made a provision in their by-laws that, in the event of denial, revocation, non-renewal or surrender of their charter, the State of New Jersey has the right to dispose of the Charter School's assets.

Note 16: RELATED PARTIES

During the fiscal year ended June 30, 2002, Charterland L.L.C, a limited liability company of which the Charter School is the sole member, was formed to construct a new building specifically designed as a school for the performing arts. Construction was completed in September 2002. At that time, the Charter School entered into an operating lease with Charterland L.L.C. which automatically renews for periods coinciding with the term of the school's charter. The amount of annual rent expense is set at the amount of principal and interest required to repay Charterland's mortgage debt over ten years. In addition, the Charter School will pay all other operating costs of the facility.

In connection with Charterland's construction of the property, the Charter School has agreed to guarantee Charterland's \$3,600,000.00 mortgage loan with a local bank. This loan is backed by the New Jersey Economic Development Authority.

During the fiscal year ended June 30, 2009, Charterland LLC had entered into a loan agreement and property lease as referenced in Note 6; both of which are secured by the Charter School.

Note 17: SUBSEQUENT EVENTS

The Charter School subsequent to June 30, 2011 has drawn a \$300,000 line of credit (Also see Note 6).

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
REVENUES:					
Local Levy:					
Local Share - Charter School Aid	\$ 3,377,055.00		\$ 3,377,055.00	\$ 2,282,020.00	\$ (1,095,035.00)
State Share - Charter School Aid				1,232,688.00	1,232,688.00
Total - Local Levy	<u>3,377,055.00</u>	<u>-</u>	<u>3,377,055.00</u>	<u>3,514,708.00</u>	<u>137,653.00</u>
Categorical and Other State Aid:					
Special Education Aid	85,924.00		85,924.00	147,488.00	61,564.00
Non-Public State Aid				124,713.00	124,713.00
Security Aid	43,028.00		43,028.00	39,211.00	(3,817.00)
On - behalf TPAF Pension Contributions				4,930.00	4,930.00
On - behalf TPAF Pension Contributions-Post Retirement Medical				104,714.00	104,714.00
Reimbursed TPAF Social Security Contributions				130,349.27	130,349.27
Total - Categorical and Other State Aid	<u>128,952.00</u>	<u>-</u>	<u>128,952.00</u>	<u>551,405.27</u>	<u>422,453.27</u>
Revenue from Other Sources					
Interest				32.07	32.07
Other Miscellaneous				8,319.19	8,319.19
Total - Revenue from Other Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,351.26</u>	<u>8,351.26</u>
Total Revenues	<u>3,506,007.00</u>	<u>-</u>	<u>3,506,007.00</u>	<u>4,074,464.53</u>	<u>568,457.53</u>

(Continued)

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES:					
Instruction:					
Salaries for Instruction	\$ 1,273,842.00	\$ 50,185.00	\$ 1,324,027.00	\$ 1,315,755.04	\$ 8,271.96
Other Salaries for Instruction	39,115.00	4,000.00	43,115.00	43,050.91	64.09
Purchased Professional and Technical Services	10,500.00	7,980.00	18,480.00	18,471.35	8.65
Other Purchased Services	12,060.00		12,060.00	2,247.75	9,812.25
General Supplies	29,300.00		29,300.00	27,915.85	1,384.15
Textbooks	8,000.00		8,000.00	5,490.26	2,509.74
Other Objects	57,000.00	(19,210.00)	37,790.00	23,529.74	14,260.26
Total Instructional Expenses	1,429,817.00	42,955.00	1,472,772.00	1,436,460.90	36,311.10
Administrative:					
Salaries - Administration	371,849.00	71,173.93	443,022.93	430,845.80	12,177.13
Salaries of Secretarial / Clerical Assistants	70,304.00	(22,000.00)	48,304.00	38,450.14	9,853.86
Benefit Costs	536,196.00	102,700.00	638,896.00	558,281.06	80,614.94
Purchased Professional and Technical Services	82,826.00	(3,300.00)	79,526.00	64,002.23	15,523.77
Other Purchased Services	30,050.00	10,800.00	40,850.00	39,740.03	1,109.97
Communications and Telephone	35,855.00	1,206.00	37,061.00	25,937.04	11,123.96
Supplies and Materials	28,250.00	4,100.00	32,350.00	27,214.22	5,135.78
Total Administrative Expense	1,155,330.00	164,679.93	1,320,009.93	1,184,470.52	135,539.41
Support Services:					
Salaries - Teachers	258,729.00	65,227.07	323,956.07	311,814.41	12,141.66
Other Purchased Services	66,344.00	21,310.00	87,654.00	58,456.38	29,197.62
Rental of Land and Buildings	643,224.00	69,000.00	712,224.00	646,940.05	65,283.95
Insurance	39,600.00	(4,200.00)	35,400.00	35,241.91	158.09
Supplies and Materials	43,738.00	(10,000.00)	33,738.00	10,464.49	23,273.51
Miscellaneous Expense	91,000.00	(206.00)	90,794.00	76,735.91	14,058.09
Total Support Services Expense	1,142,635.00	141,131.07	1,283,766.07	1,139,653.15	144,112.92

(Continued)

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
Capital Outlay:					
Purchase of Land/Improvements	\$ 20,800.00	-	\$ 20,800.00	\$ 20,800.00	-
Total Capital Outlay	<u>20,800.00</u>	<u>-</u>	<u>20,800.00</u>	<u>20,800.00</u>	<u>-</u>
On - behalf TPAF Pension Contributions				4,930.00	\$ (4,930.00)
On - behalf TPAF Pension Contributions-Post Retirement Medical				104,714.00	(104,714.00)
Reimbursed TPAF Social Security Contributions				<u>130,349.27</u>	<u>(130,349.27)</u>
Total Expenditures	<u>3,748,582.00</u>	<u>\$ 348,766.00</u>	<u>4,097,348.00</u>	<u>4,021,377.84</u>	<u>75,970.16</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(242,575.00)</u>	<u>(348,766.00)</u>	<u>(591,341.00)</u>	<u>53,086.69</u>	<u>644,427.69</u>
Fund Balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,480.17</u>	<u>130,480.17</u>
Fund Balances, June 30	<u>\$ (242,575.00)</u>	<u>\$ (348,766.00)</u>	<u>\$ (591,341.00)</u>	<u>\$ 183,566.86</u>	<u>\$ 774,907.86</u>
Recapitulation:					
Unassigned				<u>\$ 183,566.86</u>	

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 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 Positive (Negative) Final to Actual</u>
REVENUES:					
Federal Sources:					
Title I	\$ 64,698.00		\$ 64,698.00	\$ 64,698.00	
Title II A	4,855.00		4,855.00	4,855.00	
Title II D	127.00		127.00	127.00	
I.D.E.A., Part B	67,389.00		67,389.00	67,389.00	
Learn and Serve	14,000.00		14,000.00	950.00	
Carl D. Perkins Vocational and Technical Education Act	70,313.00		70,313.00	63,994.87	\$ (6,318.13)
Total - Federal Sources	<u>221,382.00</u>		<u>221,382.00</u>	<u>202,013.87</u>	<u>(19,368.13)</u>
Total Revenues	<u>221,382.00</u>	<u>-</u>	<u>221,382.00</u>	<u>202,013.87</u>	<u>(19,368.13)</u>

(Continued)

chARTer~TECH High School for the Performing Arts, Inc.
 Required Supplementary Information
 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>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 107,360.00		\$ 107,360.00	\$ 107,360.00	
Purchased Professional and Technical Services	11,600.00		11,600.00	8,400.00	\$ 3,200.00
General Supplies	47,674.00		47,674.00	39,322.59	8,351.41
Other Objects	5,325.00		5,325.00	4,820.00	505.00
Total Instruction	171,959.00	-	171,959.00	159,902.59	12,056.41
Support Services:					
Personal Services - Employee Benefits	21,355.00		21,355.00	21,282.00	73.00
Purchased Professional and Technical Services	4,204.00		4,204.00	3,604.00	600.00
Other Purchased Services (400-500 series)	8,635.00		8,635.00	4,125.00	4,510.00
Travel	1,400.00		1,400.00	205.28	1,194.72
Supplies and Materials	2,400.00		2,400.00	1,613.00	787.00
Total Support Services	37,994.00	-	37,994.00	30,829.28	7,164.72
Facilities Acquisition and Construction Services:					
Instructional Equipment	11,429.00		11,429.00	11,282.00	147.00
Total Expenditures	221,382.00	-	221,382.00	202,013.87	19,368.13
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-

chARTer~TECH High School for the Performing Arts, Inc.
 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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 4,074,464.53	\$ 202,013.87
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
	\$ 4,074,464.53	\$ 202,013.87
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 4,074,464.53	\$ 202,013.87
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 4,021,377.84	\$ 202,013.87
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
	\$ 4,021,377.84	\$ 202,013.87
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 4,021,377.84	\$ 202,013.87

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

chARTer~TECH High School for the Performing Arts, Inc.
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

	No Child Left Behind			I.D.E.I.A Basic	Carl D. Perkins Vocational Technical Education Act	Learn and Serve	
	Title I	Title II A	Title II D				
	<u>Total</u>	<u>2010-11</u>	<u>2010-11</u>				<u>2010-11</u>
REVENUES:							
Federal Sources	\$ 202,013.87	\$ 64,698.00	\$ 4,855.00	\$ 127.00	\$ 67,389.00	\$ 63,994.87	\$ 950.00
Total Revenues	202,013.87	64,698.00	4,855.00	127.00	67,389.00	63,994.87	950.00
EXPENDITURES:							
Instruction:							
Salaries of Teachers	107,360.00	51,111.00			55,299.00		950.00
Purchased Professional and Technical Services	8,400.00					8,400.00	
General Supplies	39,322.59	130.00			1,030.00	38,162.59	
Other Objects	4,820.00					4,820.00	
Total Instruction	159,902.59	51,241.00	-	-	56,329.00	51,382.59	950.00
Support Services:							
Personal Services - Employee Benefits	21,282.00	10,222.00			11,060.00		
Purchased Professional and Technical Services	3,604.00	3,235.00	242.00	127.00			
Other Purchased Services (400-500 series)	4,125.00		3,000.00			1,125.00	
Travel	205.28					205.28	
Supplies and Materials	1,613.00		1,613.00				
Total Support Services	30,829.28	13,457.00	4,855.00	127.00	11,060.00	1,330.28	-
Facilities Acquisition and Construction Services:							
Instructional Equipment	11,282.00					11,282.00	
Total Facilities Acquisition and Construction Services	11,282.00	-	-	-	-	11,282.00	-
Total Expenditures	202,013.87	64,698.00	4,855.00	127.00	67,389.00	63,994.87	950.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	-

FIDUCIARY FUNDS

chARTer~TECH High School for the Performing Arts, Inc.
 Fiduciary Funds
 Combining Statement of Fiduciary Net Assets
 June 30, 2011

	Agency Funds		
	Student Activity	Payroll	Total
ASSETS:			
Cash and Cash Equivalents	\$ 55,412.64	\$ 19,447.21	\$ 74,859.85
Total Assets	\$ 55,412.64	\$ 19,447.21	\$ 74,859.85
LIABILITIES:			
Interfund Payable - General Fund		\$ 6,100.17	\$ 6,100.17
Payable to Student Groups	\$ 55,412.64		55,412.64
Payroll Deductions and Withholdings		13,347.04	13,347.04
Total Liabilities	\$ 55,412.64	\$ 19,447.21	\$ 74,859.85

chARTer~TECH High School for the Performing Arts, Inc.
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Total Senior High Schools	<u>\$ 52,594.21</u>	<u>\$ 122,536.96</u>	<u>\$ 119,718.53</u>	<u>\$ 55,412.64</u>

chARTer~TECH High School for the Performing Arts, Inc.
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2011

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 23,961.98	\$ 2,491,209.53	\$ 2,495,724.30	\$ 19,447.21
Payroll Deductions and Withholdings	<u>1,313.32</u>		<u>1,313.32</u>	
Total Assets	<u><u>\$ 25,275.30</u></u>	<u><u>\$ 2,491,209.53</u></u>	<u><u>\$ 2,497,037.62</u></u>	<u><u>\$ 19,447.21</u></u>
LIABILITIES:				
Payroll Deductions and Withholdings		\$ 913,477.73	\$ 900,130.69	\$ 13,347.04
Net Payroll		1,577,731.80	1,577,731.80	
Interfund Accounts Payable: Due General Fund	<u>\$ 25,275.30</u>		<u>19,175.13</u>	<u>6,100.17</u>
Total Liabilities	<u><u>\$ 25,275.30</u></u>	<u><u>\$ 2,491,209.53</u></u>	<u><u>\$ 2,497,037.62</u></u>	<u><u>\$ 19,447.21</u></u>

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the Charter School's financial position has changed over time. Please refer to the following exhibits for a historical view of the Charter School's financial performance. Note that Exhibits J-1, J-2 and J-3 are only presented for the last seven fiscal years as the Charter School's first year of implementation of the Governmental Accounting Standards Board Statement No. 34 was for the fiscal year ended June 30, 2005; thus, ten year comparative financial information is unavailable.

chARTer-TECH High School for the Performing Arts, Inc.
 Net Assets by Component
 Last Seven Fiscal Years (accrual basis of accounting)
 Unaudited

	Fiscal Year Ended June 30,						
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 996,780.49	\$ 1,025,915.08	\$ 1,093,634.53	\$ 1,078,391.60	\$ 1,302,125.12	\$ 1,281,112.00	\$ 1,313,461.00
Restricted			46,000.00	46,000.00	46,000.00	48,932.00	48,932.00
Unrestricted	183,566.86	130,480.17	382,980.92	392,388.59	429,950.24	261,614.00	136,929.00
Total Governmental Activities Net Assets	\$ 1,180,347.35	\$ 1,156,395.25	\$ 1,522,615.45	\$ 1,516,780.19	\$ 1,778,075.36	\$ 1,591,658.00	\$ 1,499,322.00
Component Unit							
Invested in Capital Assets, Net of Related Debt							
Restricted							
Unrestricted (Deficit)	\$ 485,748.91	\$ 288,210.97	\$ 112,799.66	\$ (209,819.38)	\$ (164,781.94)	\$ (113,804.00)	\$ (60,202.00)
Total Business-type Activities Net Assets	\$ 485,748.91	\$ 288,210.97	\$ 112,799.66	\$ (209,819.38)	\$ (164,781.94)	\$ (113,804.00)	\$ (60,202.00)
District-wide							
Invested in Capital Assets, Net of Related Debt	\$ 996,780.49	\$ 1,025,915.08	\$ 1,093,634.53	\$ 1,302,125.12	\$ 1,302,125.12	\$ 1,281,112.00	\$ 1,313,461.00
Restricted			46,000.00	46,000.00	46,000.00	48,932.00	48,932.00
Unrestricted (Deficit)	669,315.77	418,691.14	495,780.58	265,168.30	265,168.30	147,810.00	76,727.00
Total District-wide Net Assets	\$ 1,666,096.26	\$ 1,444,606.22	\$ 1,635,415.11	\$ 1,613,293.42	\$ 1,613,293.42	\$ 1,477,854.00	\$ 1,439,120.00

Source: Charter Schools Records

chARTer-TECH High School for the Performing Arts, Inc.
 Changes in Net Assets
 Last Seven Fiscal Years (accrual basis of accounting)
 Unaudited

	Fiscal Year Ended June 30,						
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses							
Governmental Activities							
Instruction	\$ 1,648,071.84	\$ 1,671,522.80	\$ 1,556,749.05	\$ 1,694,440.80	\$ 1,316,864.99	\$ 1,275,740.00	\$ 1,136,182.00
Administration	1,173,178.76	1,146,985.96	1,036,339.78	930,909.65	772,938.19	762,767.00	685,439.00
Support Services	1,431,275.70	1,592,963.85	1,452,611.00	924,065.80	748,193.20	763,297.00	752,332.00
Total Governmental Activities Expenses	<u>4,252,526.30</u>	<u>4,411,472.61</u>	<u>4,045,699.83</u>	<u>3,549,416.25</u>	<u>2,837,996.38</u>	<u>2,801,804.00</u>	<u>2,573,953.00</u>
Component Unit:							
Administration	599,491.95	479,074.67	953,217.09	375,351.73	375,184.39	380,440.00	362,423.00
Total Component Unit Expense	<u>599,491.95</u>	<u>479,074.67</u>	<u>953,217.09</u>	<u>375,351.73</u>	<u>375,184.39</u>	<u>380,440.00</u>	<u>362,423.00</u>
Total Expenses	<u>\$ 4,852,018.25</u>	<u>\$ 4,890,547.28</u>	<u>\$ 4,998,916.92</u>	<u>\$ 3,924,767.98</u>	<u>\$ 3,213,180.77</u>	<u>\$ 3,182,244.00</u>	<u>\$ 2,936,376.00</u>
Program Revenues							
Governmental Activities:							
Operating Grants and Contributions	\$ 202,013.87	\$ 274,327.20	\$ 137,408.72	\$ 136,322.93	\$ 151,542.93	\$ 143,165.00	\$ 86,125.00
Total Governmental Activities Program Revenues	<u>202,013.87</u>	<u>274,327.20</u>	<u>137,408.72</u>	<u>136,322.93</u>	<u>151,542.93</u>	<u>143,165.00</u>	<u>86,125.00</u>
Total Program Revenues	<u>\$ 202,013.87</u>	<u>\$ 274,327.20</u>	<u>\$ 137,408.72</u>	<u>\$ 136,322.93</u>	<u>\$ 151,542.93</u>	<u>\$ 143,165.00</u>	<u>\$ 86,125.00</u>
Net (Expense)/Revenue							
Governmental Activities	\$ (4,050,512.43)	\$ (4,137,145.41)	\$ (3,908,291.11)	\$ (3,413,093.32)	\$ (2,686,453.45)	\$ (2,658,639.00)	\$ (2,487,828.00)
Component Unit Activities	(599,491.95)	(479,074.67)	(953,217.09)	(375,351.73)	(375,184.39)	(380,440.00)	(362,423.00)
Total District-wide Net Expense	<u>\$ (4,650,004.38)</u>	<u>\$ (4,616,220.08)</u>	<u>\$ (4,861,508.20)</u>	<u>\$ (3,788,445.05)</u>	<u>\$ (3,061,637.84)</u>	<u>\$ (3,039,079.00)</u>	<u>\$ (2,850,251.00)</u>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Local Levy and Charter School Aid	\$ 4,066,113.27	\$ 3,728,567.47	\$ 3,781,098.77	\$ 3,119,632.70	\$ 2,737,362.00	\$ 2,692,007.00	\$ 2,462,337.00
Investment Earnings				7,893.36	15,148.04	7,855.00	2,887.00
Miscellaneous Income	8,351.26	42,357.74	50,769.18	24,272.09	120,360.77	51,113.00	72,118.00
Total Governmental Activities	<u>4,074,464.53</u>	<u>3,770,925.21</u>	<u>3,831,867.95</u>	<u>3,151,798.15</u>	<u>2,872,870.81</u>	<u>2,750,975.00</u>	<u>2,537,342.00</u>
Component Unit Activities:							
Miscellaneous Income	797,029.89	654,485.98	1,275,836.13	330,314.29	324,207.90	326,838.00	311,224.00
Total Component Unit Activities	<u>797,029.89</u>	<u>654,485.98</u>	<u>1,275,836.13</u>	<u>330,314.29</u>	<u>324,207.90</u>	<u>326,838.00</u>	<u>311,224.00</u>
Total District-wide	<u>\$ 4,871,494.42</u>	<u>\$ 4,425,411.19</u>	<u>\$ 5,107,704.08</u>	<u>\$ 3,482,112.44</u>	<u>\$ 3,197,078.71</u>	<u>\$ 3,077,813.00</u>	<u>\$ 2,848,566.00</u>
Change in Net Assets							
Governmental Activities	\$ 23,952.10	\$ (366,220.20)	\$ (76,423.16)	\$ (261,295.17)	\$ 186,417.36	\$ 92,336.00	\$ 49,514.00
Component Unit Activities	197,537.94	175,411.31	322,619.04	(45,037.44)	(50,976.49)	(53,602.00)	(51,199.00)
Total Charter School	<u>\$ 221,490.04</u>	<u>\$ (190,808.89)</u>	<u>\$ 246,195.88</u>	<u>\$ (306,332.61)</u>	<u>\$ 135,440.87</u>	<u>\$ 38,734.00</u>	<u>\$ (1,685.00)</u>

Source: Charter Schools Records

chARTer-TECH High School for the Performing Arts, Inc.
Fund Balances, Governmental Funds
Last Seven Fiscal Years (modified accrual basis of accounting)
Unaudited

	Fiscal Year ended June 30,						
	<u>2011 (a)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Fund Balances:							
Restricted			\$ 46,000.00	\$ 46,000.00	\$ 46,000.00	\$ 46,000.00	\$ 46,000.00
Committed			140,406.27	5,878.51	17,758.18		
Unassigned	\$ 183,566.86	\$ 130,480.17	242,574.65	386,510.08	412,192.06	264,546.00	139,861.00
Total General Fund	<u>\$ 183,566.86</u>	<u>\$ 130,480.17</u>	<u>\$ 428,980.92</u>	<u>\$ 438,388.59</u>	<u>\$ 475,950.24</u>	<u>\$ 310,546.00</u>	<u>\$ 185,861.00</u>
All Other Governmental Funds							
Restricted							
Reserved							
Unreserved, Reported in:							
Special Revenue Fund							
Capital Projects Fund							
Debt Service Fund							
Permanent Fund							
Total All Other Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(a) Beginning for the fiscal year ended June 30, 2011, the School District began reporting fund balances under GASB 54.

Source: Charter Schools Records

chARter-TECH High School for the Performing Arts, Inc.
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years (modified accrual basis of accounting)
 Unaudited

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004 (1)</u>	<u>2003 (1)</u>	<u>2002 (1)</u>
Revenues										
Local Levy	\$ 3,514,708.00	\$ 3,344,083.00	\$ 3,255,993.00	\$ 2,264,491.00	\$ 2,336,863.00	\$ 1,506,080.00	\$ 1,266,116.00	\$ 1,224,962.00	\$ 1,073,375.00	\$ 804,287.00
Revenue From Other Sources	8,351.26	42,357.74	50,769.18	32,165.45	135,508.41	20,380.00	62,568.00	110,399.00	136,130.00	184,948.00
State Sources	551,405.27	384,484.47	525,105.77	855,141.70	400,499.00	1,189,927.00	1,200,215.00	1,174,698.00	1,038,843.00	735,631.00
Federal Sources	202,013.87	274,327.20	137,408.72	136,322.93	151,542.93	177,753.00	94,568.00	120,015.00	112,091.00	137,670.00
Total Revenue	4,276,478.40	4,045,252.41	3,969,276.67	3,288,121.08	3,024,413.34	2,894,140.00	2,623,467.00	2,630,074.00	2,360,439.00	1,862,536.00
Expenditures										
Instruction	1,596,363.49	1,571,504.34	1,477,713.61	1,457,911.44	1,302,043.71	1,129,709.00	1,001,015.00	1,078,508.00	1,005,742.00	835,940.00
Administration	1,184,470.52	1,139,485.96	1,026,724.78	925,980.45	772,938.19	745,648.00	669,780.00	608,283.00	560,405.00	451,280.00
Support Services	1,410,475.70	1,546,963.85	1,452,611.00	914,065.80	748,193.20	754,738.00	744,503.00	566,836.00	535,847.00	332,188.00
General Fund Debt					24,085.00	24,277.00	27,427.00	39,288.00	12,217.00	105,260.00
Founder's Grant				10,000.00						
Capital Outlay	32,082.00	39,799.01	21,634.95		11,749.00	115,083.00	187,177.00	106,089.00	104,477.00	
Special Revenue Fund								124,015.00	119,991.00	127,164.00
Total Expenditures	4,223,391.71	4,297,753.16	3,978,684.34	3,307,957.69	2,859,009.10	2,769,455.00	2,629,902.00	2,523,019.00	2,338,679.00	1,851,832.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	53,086.69	(252,500.75)	(9,407.67)	(19,836.61)	165,404.24	124,685.00	(6,435.00)	107,055.00	21,760.00	10,704.00
Other Financing Sources (Uses)										
Capital Reserve Expenditures		(46,000.00)								
Net Change in Fund Balances	\$ 53,086.69	\$ (298,500.75)	\$ (9,407.67)	\$ (19,836.61)	\$ 165,404.24	\$ 124,685.00	\$ (6,435.00)	\$ 107,055.00	\$ 21,760.00	\$ 10,704.00
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	1.1%	1.7%	0.5%	6.0%

Source: Charter Schools Records

(1) Note: Special Revenue Expenditures by function were not available prior to 2005, therefore they will be reported in total.

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the Charter School's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the Charter School's outstanding debt and its debt capacity.

chARTer-TECH High School for the Performing Arts, Inc.
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended <u>June 30,</u>	<u>Governmental Activities</u>		<u>Component Unit Activities</u>		Percentage of Personal <u>Income (1)</u>	<u>Per Capita (1)</u>
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Loans Payable</u>	<u>District Wide</u>		
2011			\$ 3,254,892.99	\$ 3,254,892.99	N/A	N/A
2010			3,590,644.64	3,590,644.64	N/A	N/A
2009			3,903,784.30	3,903,784.30	N/A	N/A
2008			3,214,056.04	3,214,056.04	N/A	N/A
2007		\$ 3,509.00	3,292,422.96	3,295,931.96	N/A	N/A
2006		27,594.00	3,365,652.13	3,393,246.13	N/A	N/A
2005		51,350.00	3,434,080.38	3,485,430.38	N/A	N/A
2004		76,709.00	3,498,022.47	3,574,731.47	N/A	N/A
2003		87,717.00	3,557,772.50	3,645,489.50	N/A	N/A
2002		105,260.00		105,260.00	N/A	N/A

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

- (1) Since the Charter School has enrollment from several different school districts, percentage of personal income and per capital information is not presented as it would not be meaningful.

Source: Notes to the Financial Statements

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the Charter School operates and (2) to provide information that facilitates comparisons of financial statement information over time and among Charter Schools. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the Charter School operates.

chARTer-TECH High School for the Performing Arts, Inc.
 Demographic and Economic Statistics (1)
 Last Ten Fiscal Years
 Unaudited

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2011				
2010				
2009				
2008				
2007				
2006				
2005				
2004				
2003				
2002				

Source:

(1) Since the Charter School had enrollment from several different school districts, this data is not presented as it would not be meaningful.

chARTer-TECH High School for the Performing Arts, Inc.
Principal Employers
Current Year and Nine Years Ago
Unaudited

<u>Employer</u>	<u>2011</u>			<u>2002 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of</u>
Shore Memorial Health Foundation, Inc.	1,600	1	28.31%	N/A	N/A	N/A
Shore Memorial Hospital	1,450	2	25.66%	N/A	N/A	N/A
Shop-Rite Supermarkets, Inc.	200	3	3.54%	N/A	N/A	N/A
Acme Markets, Inc.	150	4	2.65%	N/A	N/A	N/A
Scibal Associates, Inc.	106	5	1.88%	N/A	N/A	N/A
Alterra Group, Inc.	105	6	1.86%	N/A	N/A	N/A
Plantation Bay Resort & Country Club LLC	100	7	1.77%	N/A	N/A	N/A
Home Infusion Solutions, LLC	73	8	1.29%	N/A	N/A	N/A
Enn Leasing Company V, LLC	40	9	0.71%	N/A	N/A	N/A
Great Bay Food LLC	40	10	0.71%	N/A	N/A	N/A
	<u>3,864</u>		<u>68.38%</u>	<u>-</u>		<u>-</u>

Source : D&B Regional Business Directory published by Dun & Bradstreet, Inc.

(1) Data was not available.

Operating Information

Operating information is intended to provide contextual information about the Charter School's operations and resources to assist readers in using financial statement information to understand and assess the Charter School's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the Charter School's operations.

chARTer-TECH High School for the Performing Arts, Inc.
 Full-time Equivalent Charter School Employees by Function/Program
 Last Seven Fiscal Years
 Unaudited

<u>Function/Program</u>	Fiscal Year Ended June 30,						
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Instruction	27	27	26	24	24	24	24
Administration	4	4	3	3	2.5	3	3
Support Services	12	12	11	5	5	5	5
Total	<u>43</u>	<u>43</u>	<u>40</u>	<u>32</u>	<u>31.5</u>	<u>32</u>	<u>32</u>

Source: Charter School Personnel Records

chARTer-TECH High School for the Performing Arts, Inc.
 Operating Statistics
 Last Seven Fiscal Years
 Unaudited

<u>Fiscal Year</u>	<u>Enrollment (1)</u>	<u>Operating Expenditures (2)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (3)</u>	<u>Pupil/Teacher Ratio High School (9-12)</u>	<u>Average Daily Enrollment (ADE) (4)</u>	<u>Average Daily Attendance (ADA) (4)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2011	287	\$ 4,191,309.71	\$ 14,603.87	-8.77%	27	1:10	277.17	254.53	13.64%	91.83%
2010	266	4,257,954.15	16,007.35	10.44%	27	1:10	261.37	237.68	4.05%	90.94%
2009	273	3,957,049.39	14,494.69	10.86%	26	1:09	259.6	235.9	3.34%	90.87%
2008	253	3,307,957.69	13,074.93	28.29%	24	2:24	243.9	225.8	-2.91%	92.58%
2007	277	2,823,175.10	10,191.97	8.50%	24	1:10	251.2	232.7	12.65%	92.64%
2006	280	2,630,095.00	9,393.20	17.84%	24	1:10	223	223	-6.69%	100.00%
2005	303	2,415,298.00	7,971.28	-	24	1:10	239	221	-	92.47%

Sources: District records and enrollment counts.

- (1) Enrollment amount is from the end of the school year.
- (2) Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- (3) Teaching staff includes only full-time equivalents of certificated staff.
- (4) Average daily enrollment and average daily attendance are obtained from the Charter School Registers

chARTer-TECH High School for the Performing Arts, Inc.
 School Building Information
 Last Seven Fiscal Years
 Unaudited

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>District Building</u>							
<u>High School</u>							
chARTer-Tech High School for the Performing Arts (2003)							
Square Feet	34,556	33,000	33,000	33,000	33,000	33,000	33,000
Capacity (students)	400	300	300	300	300	300	300
Enrollment	275	259	245	253	277	280	303

Number of Schools at June 30, 2011
 High School = 1

Source: District records

Note: Fiscal year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions (if any). Enrollment is based as of the end of the fiscal year.

Note: Data prior to Fiscal Year 2005 was unavailable.

chARTer-TECH High School for the Performing Arts, Inc.
 Schedule of Required Maintenance
 Last Five Fiscal Years
 Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

<u>*School Facilities</u>	<u>Project #</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
High School	N/A	<u>\$ 52,394.00</u>	<u>\$ 61,110.32</u>	<u>\$ 69,677.18</u>	<u>\$ 60,453.11</u>	<u>\$ 62,292.00</u>

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

chARTer-TECH High School for the Performing Arts, Inc.
Insurance Schedule
June 30, 2011
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Worker's Compensation & Employers Liability		
Each Accident Limit	\$ 1,000,000.00	
Disease Policy Limit	1,000,000.00	
Disease Each Employee	1,000,000.00	
Commercial Property Policy		
Blanket - Building	5,000,000.00	\$ 5,000.00
Equipment Breakdown	Included	5,000.00
Blanket - Business Personal Property	500,000.00	5,000.00
Electronic Data Processing Equipment	835,000.00	5,000.00
Special Coverage (Copier with Finisher)	63,315.00	
Employment Practices Liability	Included	
General Liability		
Each Occurrence	1,000,000.00	
General Aggregate	2,000,000.00	
Products & Completed Operations	1,000,000.00	
Medical Payments	10,000.00	
Personal & Advertising Injury	1,000,000.00	
Fire Damage	100,000.00	
Products/Completed Ops Aggregate	2,000,000.00	
Employee Benefits	1,000,000.00	1,000.00
Incidental Professional Medical Malpractice	1,000,000.00	
Abuse & Molesation Coverage		
Each Offense	1,000,000.00	
General Aggregate	2,000,000.00	
Business Auto Policy		
Combined Single Limit	1,000,000.00	
Uninsured motorist combined single limit	1,000,000.00	
Underinsured motorist combined single limit	1,000,000.00	
PIP-Basic	250,000.00	250.00
Collison		1,000.00
Comprehensive		1,000.00
Combined Single Limit	1,000,000.00	
Uninsured motorist combined single limit	1,000,000.00	
Underinsured motorist combined single limit	1,000,000.00	
PIP-Basic	250,000.00	250.00
Collison		1,000.00
Comprehensive		1,000.00
Combined Single Limit	1,000,000.00	
Uninsured motorist combined single limit	1,000,000.00	
Underinsured motorist combined single limit	1,000,000.00	
PIP-Basic	250,000.00	250.00
Collison		1,000.00
Comprehensive		1,000.00
Umbrella Policy		
Catastrophic Umbrella	10,000,000.00	
Crime:		
Public Official Bonds:		
Board Secretary/ Business Administrator	140,000.00	
Assistant Board Secretary	140,000.00	
Board Treasurer		Not Covered

SINGLE AUDIT SECTION

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chARTer~TECH High School for the Performing Arts, Inc.
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2011

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
Special Revenue Fund:					
U.S. Department of Education					
Passed-through State Department of Education:					
I.A.S.A.:					
Title I (P.L. 103-382), Summer	84.010	NCLB080010	\$ 59,757.00	9/1/09	8/31/10
Title I (P.L. 103-382)	84.010	NCLB080011	64,698.00	9/1/10	8/31/11
ARRA, Title I	84.389	NCLB080010	23,054.00	7/1/09	8/31/11
Total Title I, Cluster					
Title II A, Summer	84.367	NCLB080010	6,223.00	9/1/09	8/31/10
Title II A	84.367	NCLB080011	4,855.00	9/1/10	8/31/11
Total Title II A					
Title II D, Summer	84.318	NCLB080010	610.00	9/1/09	8/31/10
Title II D	84.318	NCLB080011	127.00	9/1/10	8/31/11
Total Title II D					
Title III, Summer	84.365	NCLB080009	270.00	9/1/08	8/31/09
Title IV, Summer	84.186	NCLB080010	1,071.00	9/1/09	8/31/10
Title V, Summer	84.298	NCLB080009	750.00	9/1/08	8/31/09
I.D.E.A. Part B:					
I.D.E.A. Part B, Basic Regular, Carryover	84.027	IDEA080007	159.00	9/1/06	8/31/07
I.D.E.A. Part B, Basic Regular, Summer	84.027	IDEA080010	67,569.00	9/1/09	8/31/10
I.D.E.A. Part B, Basic Regular	84.027	IDEA080011	67,389.00	9/1/10	8/31/11
ARRA, I.D.E.A. Part B	84.391	IDEA080010	64,925.00	7/1/09	8/31/11
Total I.D.E.A. Part B, Cluster					
Learn and Serve America - Higher Education	94.005	95272001506	14,000.00	7/1/10	8/31/12
Carl D. Perkins Vocational and Technical Education Act, Summer	84.048	PERK741010	44,449.00	7/1/09	6/30/10
Carl D. Perkins Vocational and Technical Education Act	84.048	PERK741011	70,313.00	7/1/10	6/30/11
Total Carl D. Perkins Vocational and Technical Education Act					
Total Federal Financial Assistance					

The accompanying Notes to the Financial Statements and Notes to the Schedules of Federal Awards and State Financial Assistance are an integral part of this schedule.

These funds were not audited in accordance with U.S. OMB Circular A-133 since the total of all grant award expenditures were less than \$500,000.

Balance June 30, 2010	Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2011		Due to Grantor at June 30, 2011
						(Accounts Receivable)	Deferred Revenue	
\$ 21,038.02		\$ 46,326.00	\$ (21,038.02)				\$ 2,666.02	
(6,677.00)		6,677.00	(43,659.98)					
14,361.02	-	53,003.00	(64,698.00)	-	-	-	2,666.02	-
(2,027.00)		2,027.00	(3,000.00)				1,196.00	
		4,196.00						
(2,027.00)	-	6,223.00	(3,000.00)	-	-	-	1,196.00	-
(230.00)		230.00						
		380.00	(1,982.00)			\$ (1,602.00)		
(230.00)	-	610.00	(1,982.00)	-	-	(1,602.00)	-	-
85.00								\$ 85.00
(237.00)		1,071.00					834.00	
563.00								563.00
2,224.77								2,224.77
(12,218.33)		12,218.33	(66,439.00)			(19,284.33)		
(1,925.00)		47,154.67						
		1,925.00						
(11,918.56)	-	61,298.00	(66,439.00)	-	-	(19,284.33)	-	2,224.77
			(950.00)			(950.00)		
6,952.65			(6,952.65)					
		36,816.00	(57,992.22)			(21,176.22)		
6,952.65	-	36,816.00	(64,944.87)	-	-	(21,176.22)	-	-
\$ 7,549.11	-	\$ 159,021.00	\$ (202,013.87)	-	-	\$ (43,012.55)	\$ 4,696.02	\$ 2,872.77

chARTer-TECH High School for the Performing Arts, Inc.
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2011

<u>State Grantor/ Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance June 30, 2010</u>	<u>Carryover / (Walkover) Amount</u>
			<u>From</u>	<u>To</u>		
General Fund:						
School Choice / Charter School Aid / Non-Public	09-495-034-5120-068	\$ 64,532.00	7/1/08	6/30/09	\$ 4,168.00	
School Choice / Charter School Aid / Non-Public	11-495-034-5120-068	124,713.00	7/1/10	6/30/11		
Security Aid	10-495-034-5120-084	56,919.00	7/1/09	6/30/10	(68.00)	
Security Aid	11-495-034-5120-084	39,211.00	7/1/10	6/30/11		
Special Education Aid	11-495-034-5120-089	147,488.00	7/1/10	6/30/11		
T.P.A.F. Social Security Tax	10-495-034-5095-002	131,030.47	7/1/09	6/30/10	(6,228.71)	
T.P.A.F. Social Security Tax	11-495-034-5095-002	130,349.27	7/1/10	6/30/11		
Total General Fund					(2,128.71)	-
Total State Financial Assistance					\$ (2,128.71)	-

The accompanying Notes to the Financial Statements and Notes to the Schedules of Federal Awards and State Financial Assistance are an integral part of this schedule.

These funds were not audited in accordance with U.S. OMB Circular A-133 since the total of all grant award expenditures were less than \$500,000.

<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Adjustments</u>	<u>Repayment of Prior Years' Balances</u>	<u>Balance June 30, 2011</u>			<u>Memo</u>	
				<u>(Accounts Receivable)</u>	<u>Deferred Revenue/ Interfund Payable</u>	<u>Due to Grantor at June 30, 2011</u>	<u>Budgetary Receivable June 30, 2011</u>	<u>Cumulative Total Expenditures</u>
\$ 124,970.00	\$ (124,713.00)	\$ (4,168.00)				\$ 4,425.00		\$ 124,713.00
68.00		4,168.00						
39,211.00	(39,211.00)							39,211.00
147,488.00	(147,488.00)							147,488.00
6,228.71								
124,142.55	(130,349.27)			\$ (6,206.72)			\$ (6,206.72)	130,349.27
442,108.26	(441,761.27)	-	-	(6,206.72)	-	4,425.00	(6,206.72)	441,761.27
\$ 442,108.26	\$ (441,761.27)	-	-	\$ (6,206.72)	-	\$ 4,425.00	\$ (6,206.72)	\$ 441,761.27

chARTer~TECH HIGH SCHOOL FOR THE PERFORMING ARTS, INC.
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2011

Note 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the chARTer~TECH High School for the Performing Arts, Inc. (hereafter referred to as the "Charter School"). The Charter School is defined in Note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting. This base of accounting are described in Note 1 to the Charter 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 BASIC FINANCIAL STATEMENTS

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

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

There was no adjustment needed to reconcile expenditures from the budgetary basis to the GAAP basis as presented in Exhibit C-3, Notes to Required Supplementary Information. Awards and financial assistance expenditures are reported in the Charter School's basic financial statements on a GAAP basis as presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General		\$ 551,405.27 *	\$ 551,405.27
Special Revenue	\$ 202,013.87		202,013.87
Total Awards and Financial Assistance	<u>\$ 202,013.87</u>	<u>\$ 551,405.27</u>	<u>\$ 753,419.14</u>

* - Includes Categorical Aid passed through sending school districts.

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

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

Note 6: MAJOR PROGRAMS

For the fiscal year ended June 30, 2011, the Charter School did not have expenditures at a level requiring a single audit

chARTer~TECH High School for the Performing Arts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes X no

Were significant deficiencies identified that were not considered to be a material weakness? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards Not applicable.

Internal control over compliance:

Material weaknesses identified? yes no

Were significant deficiencies identified that were not considered to be a material weakness? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

Dollar threshold used to determine Type A programs \$ _____

Auditee qualified as low-risk auditee? yes no

chARTer~TECH High School for the Performing Arts
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Finding No. 2011-1

Criteria or Specific Requirement

As per N.J.S.A. 18A:18-4, all purchases made in excess of \$21,000.00 should conform to the formal bid process as outlined in the statute.

Condition

The component unit, Charterland LLC made a purchase in excess of the bid threshold, but did not follow proper bidding procedures.

Context

A report by the Office of Fiscal Accountability (OFAC), dated May 18, 2011, disclosed the component unit's noncompliance with public school contracts law.

Effect

The Charter School's expenditures are not in compliance with the New Jersey Administrative Code.

Cause

Payments made by Charterland, LLC that were not being reviewed for compliance with public school contracts law.

Recommendation

The component unit, Charterland, LLC should establish good internal control procedures for the disbursement of funds.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and the Charterland Board will develop procedures that are in compliance with the PSCL.

chARTer~TECH High School for the Performing Arts
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Finding No. 2011-2

Criteria or Specific Requirement

As Charterland, LLC is a component unit of the Charter School; it is the opinion of the Office of Fiscal Accountability that the funding of the corporation's operational expenditures with educational dollars should be discontinued.

Condition

The Charter School funded operational costs of Charterland, which include the annual state filing fee, monthly bank fee, as well as the preparation and submission of state and federal financial reports.

Context

A report by the Office of Fiscal Accountability (OFAC), dated May 18, 2011, disclosed the Charter School's funding of the operational costs of Charterland, LLC.

Effect

With the Charter School funding the operational costs of the component unit, Charterland, LLC, the division and relationship between the separate entities is clouded.

Cause

As Charterland, LLC incurred expenses outside of primary debt service disbursements; the Charter School was funding those expenditures as Charterland's primary funding source.

Recommendation

The Charter School should no longer fund the operational costs of the component unit, Charterland, LLC.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and Charterland will develop a fund-raising plan to pay for its operational costs.

chARTer~TECH High School for the Performing Arts
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Finding No. 2011-3

Criteria or Specific Requirement

Good internal control practices require that bank reconciliations have all of its outstanding items addressed and accounted for on a monthly basis.

Condition

The Charter School's bank reconciliations are not complete and accurate.

Context

The auditor's review of monthly bank reconciliations revealed that differences between the book balance and bank balance were not being properly addressed on a monthly basis and various adjustments were being made to the bank side of the reconciliation.

Effect

Without complete bank reconciliations the general ledger will not reflect all adjustments to cash that are required as determined during the reconciliation process.

Cause

Personnel in-charge of preparing bank reconciliations do not follow through on required adjustments.

Recommendation

The Charter School should establish proper internal controls over the preparation of complete and accurate bank reconciliations.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

chARTer~TECH High School for the Performing Arts
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 3- Schedule of Federal Award Findings and Recommendations

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including Recommendations, related to the audit of major Federal programs, as required by OMB Circular A-133.

Not applicable.

chARTer~TECH High School for the Performing Arts
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2011

Section 4- Schedule of State Financial Assistance Findings and Recommendations

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including Recommendations, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

Not applicable.

chARTer~TECH High School for the Performing Arts
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

FINANCIAL STATEMENT FINDINGS

Finding No. 2010-1

Condition

The charter school utilized blanket purchase orders for expenditures.

Current Status

The condition has been resolved.

FEDERAL AWARDS

Not applicable.

STATE FINANCIAL ASSISTANCE PROGRAMS

Not applicable.

