

Comprehensive Annual Financial Report
of the
PRINCETON CHARTER SCHOOL
Princeton, New Jersey
For the Fiscal Year Ended June 30, 2011

Prepared by
PRINCETON CHARTER SCHOOL
Board of Trustees

Princeton Charter School
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INTRODUCTORY SECTION

Princeton Charter School

100 Bunn Drive
Princeton, NJ 08540
609-924-0575

October 17, 2011

The Honorable Chairperson and Members
of the Board of Trustees
Princeton Charter School
Princeton, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Princeton Charter School (the "School" or "PCS") 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 (the "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 basic financial statements and results of operations 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, a list of principal officials, and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the School's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the School, generally presented on a multi-year basis. The School is required to undergo an annual audit in conformity with the provisions of *Government Auditing Standards*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

- 1) REPORTING ENTITY AND ITS SERVICES: The Princeton Charter School is an independent reporting entity within the criteria adopted by the *Government Accounting Standards Board* ("GASB") in codification section 2100. All funds of the School are included in this report. The Princeton Charter School constitutes the School's reporting entity.

The School provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for special needs youngsters. The School completed the 2010-11 fiscal year with an average daily enrollment of 344 students, which is consistent from the previous year's enrollment.

Fiscal Year	Average Daily Enrollment Student Enrollment	Percent Change
1999-2000	163	40.52%
2000-2001	180	10.43%
2001-2002	199	10.56%
2002-2003	239	20.10%
2003-2004	278	16.32%
2004-2005	280	0.72%
2005-2006	286	2.14%
2006-2007	289	1.05%
2007-2008	293	1.38%
2008-2009	318	8.53%
2009-2010	344	8.18%
2010-2011	344	0.00%

2) ECONOMIC CONDITION AND OUTLOOK:

Princeton Charter School has completed its fourteenth year of operation. In May of 2007, PCS was named "National Charter School of the Year" by the Center for Education Reform. Previous awards include being named a "No Child Left Behind Blue School" in September of 2004 by the United States Department of Education. PCS has been recognized numerous times as a Benchmark School for attaining high rates of student achievement on the state's assessment tests. Parents of school-age children in Princeton are well aware of the School's excellent reputation: almost 378 students applied to the school in 2010-2011. In the 2010-2011 school year PCS had a waiting list of roughly 322 students and for the 2011-2012 school year the waiting list is 296 students.

3) MAJOR INITIATIVES:

Major Board of Trustees Accomplishments

The most significant accomplishments of the PCS Board of Trustees in 2010-11 included (i) successfully conducting and concluding a search for Head of School, which resulted in the selection of Lawrence D. Patton, who was an Assistant Head for grades 5-8, from a national pool of extremely qualified candidates; (ii) the submission and approval of the PCS charter renewal for an additional 5 years with the New Jersey Department of Education; (iii) the substantial completion of a comprehensive policy review in consultation with the NJSBA; (iv) adding new trustees and committee members with strong backgrounds and experience; and (v) making additional efforts to recruit applicants from all backgrounds throughout the Princeton community, and welcoming and successfully transitioning new students including 43 new kindergartners and third-graders. In addition, the Board of Trustees adopted certain major policies as noted below. The Board held a day-long offsite strategic planning meeting with the Head of School on February 5, 2011 to discuss long-term goals for PCS.

Following the resignation of the Head of School at the end of the 2009-10 academic school year, the Board of Trustees asked the three Assistant Heads and School Business Administrator to work together to run the School on an interim basis while the Board conducted a search for the next Head of School. This team, consisting of Norma Byers, Lawrence Patton, Gail Wilbur, and Diane Potorski, ran the School seamlessly on a daily basis. The entire group of faculty, administration, and staff worked tirelessly to continue to provide a successful educational experience for the students of PCS throughout the year.

The Board recruited three new Trustees who will join the Board in July 2011 to take the place of three long-serving members of the Board. Their backgrounds in management and leadership consulting, education and law will make them great additions to the Board of Trustees for years to come.

The School completed its second major facilities expansion in the School's history, which added an external stairwell to the existing upper-school classroom building and an adjoining Campus Center comprised of three classrooms, a performing arts space and combination auditorium and gymnasium. PCS received a temporary certificate of occupancy in April 2010 and was granted a final certificate of occupancy on September 14, 2010.

Innovative/Exemplary Programs and Practices:

Mastery Learning. In all grade levels and all subject areas, PCS students are expected to master the material currently being studied. The PCS faculty has the opportunity to meet creatively the challenge of achieving timely mastery of the knowledge and skills specified in the curriculum. To help meet this challenge, assessment is integrated with the curriculum in order to confirm student progress and ensure accountability of the School.

Content-Rich Curriculum and Sequential Learning. PCS's leadership believes that children acquire genuine self-esteem through academic accomplishment, and so places knowledge first. Moreover, by focusing on core knowledge and essential skills, children are provided the building blocks for further knowledge acquisition. The PCS curriculum reflects the belief that knowledge and skills are best acquired in an incremental and cumulative manner. Continuity and coherence of the curriculum from grade to grade are emphasized. The curriculum minimizes fragmentation of an academic discipline into independent and unrelated units; the emphasis is on using previously acquired knowledge and skills for further learning.

Milestones. The Milestones of Achievement are an innovative practice used by PCS to recognize achievement and mastery of knowledge and skills.

Parent and Community Involvement Activities and Outcomes:

PCS offers several avenues for parent involvement in the School: parents serve on the Board of Trustees and as members of standing and *ad hoc* committees of the Board; parents participate in School-initiated activities; parents volunteer their time and expertise through community-building activities sponsored by their organization, Friends of Princeton Charter School; and parents work to ensure the financial stability of the School through the activities of the non-profit fundraising corporation, PCS Capital and Endowment Fund, Inc.

Board of Trustees

Open parent seats for the Board of Trustees are announced to the School community through the School newsletter, and the parent community votes to elect these parent trustees. Nominations for non-parent seats are made by the Board's Nominating Committee and approved by the entire Board. Presently, eight of the nine Trustees were parents of current students at the time of their election, and the other Trustee is the parent of two graduates.

Committees of the Board

At the time of the Board election, a list of the committees of the Board is distributed to the parent community with a letter noting that committee involvement is a significant way for parents to participate in School governance and inviting interested parents to contact the Board. These policy and decision-making committees develop plans for improving the School's facilities, curriculum and extracurricular activities, work with staff to discuss teaching methodology, help create and revise plans such as the new technology plan, and participate in interviews during the teacher and staff hiring process. Committee members include teachers, parents, Board members, and valued members of the greater Princeton community.

Friends of Princeton Charter School:

Friends of Princeton Charter School, a tax-exempt corporation established in 1997, is organized and operated exclusively to support the fundraising, social and charitable activities of the School. All parents of PCS students are eligible and encouraged to be involved in Friends. Every August, Friends of PCS mails information about the organization and a list of volunteer opportunities. Volunteer activities range from daily lunchroom monitoring to running school picnics. Friends of PCS use the School's weekly newsletter, direct mail, and the School web site to notify parents of meetings and upcoming School-wide events. Through the room-parent system, individual grades have designated volunteers to help with outreach within their own grade. Approximately 14 percent of parents are room parents; similar number chair Friends committees; most parents are active in their individual child's class activities. Since the inception of PCS, Friends of PCS has played a significant role in raising funds for items directly involved in delivering the School's program, such as the bus used for after-school sports transportation and the Campus Center.

The PCS Capital and Endowment Fund, Inc.:

The Fund is a non-profit corporation formed to raise money for two purposes: to aid in the improvement of the School's facilities, and to provide long-term financial security for PCS. The Fund continues to play a key role in the School's financing plan for its recently completed Campus Center, making a contribution of \$1,000,000 and guaranteeing the School's obligations under its financing agreements. Most trustees and officers of the Fund are parents of PCS students or alumni.

4) INTERNAL ACCOUNTING CONTROLS

The management of the School is responsible for establishing and maintaining an internal control system 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 system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the School also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the School's management.

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. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project length budgets are approved for the capital improvements accounted for in the capital projects 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, 2011.

6) ACCOUNTING SYSTEM AND REPORTS

The School's accounting records reflect generally accepted accounting principles, as promulgated by GASB. The accounting system of the School is organized on the basis of governmental funds and business type activities funds. These funds are explained in "Notes to Financial Statements", Note 1.

7) DEBT ADMINISTRATION

As of June 30, 2011, the School's outstanding loans payable total \$8,256,323.

8) CASH MANAGEMENT

The investment policy of the School is guided in large part by state statute as detailed in "Notes to Financial Statements", Note 3. 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 a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) RISK MANAGEMENT

The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

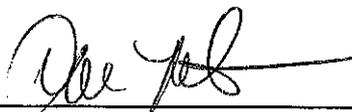
10) OTHER INFORMATION

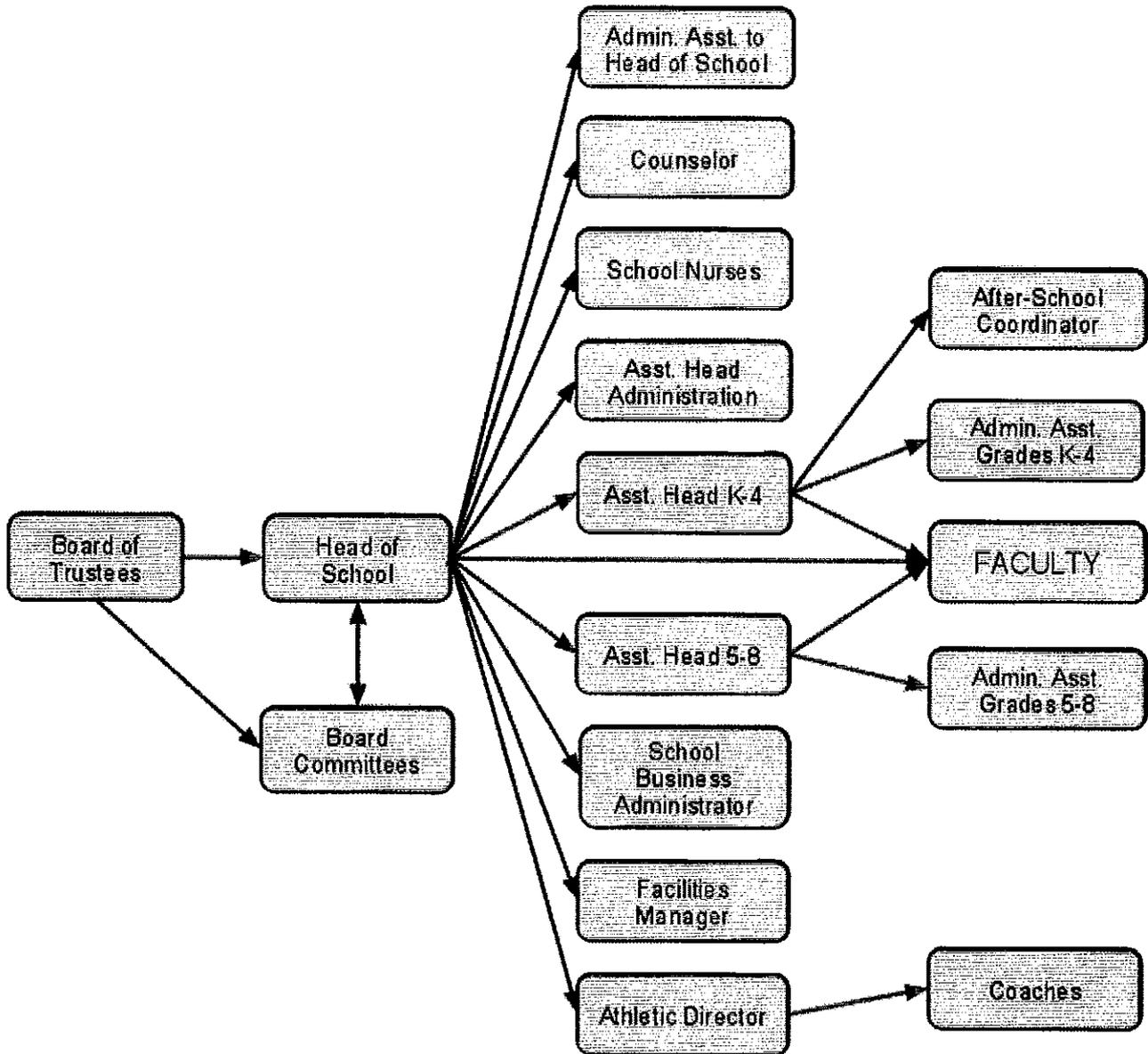
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of WithumSmith+Brown, PC was selected by the Board of Trustees at its organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of *Governmental Auditing Standards*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the audit are included in the single audit section of this report.

11) ACKNOWLEDGEMENTS

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


Norma Byers
Lead Person


Diane Potorski
Business Administrator/Board Secretary



Faculty with coordinator duties that report to the Assistant Heads Include:
Mentoring Coordinator
Support and Challenge Team Coordinator
Technology Coordinator

**PRINCETON CHARTER SCHOOL
Roster of Officials
June 30, 2011**

<u>Members of the Board of Trustees</u>	<u>Term Expires</u>
Hartwell "Mac" Gardner, Chairperson	June 30, 2012
Fernando Guerrero, Vice Chairperson	June 30, 2013
Alan Zetterberg, Secretary	June 30, 2012
Maureen Quirk, Treasurer	June 30, 2011
Frederick E. Cammerzell III	June 30, 2013
Shannon Daley-Harris	June 30, 2013
Ellen DiPippo	June 30, 2011
Andrea Henneman	June 30, 2011
Yolanda Pierce	June 30, 2012

Other Officers

Norma Jean Byers, Lead Person

Diane Potorski, Business Administrator/Board Secretary

**PRINCETON CHARTER SCHOOL
Consultants and Advisors**

Architect/Planner

Farewell, Mills & Gatsch, LLC
200 Forrestal Road, 3rd Floor
Princeton, NJ 08540

Audit Firm

WithumSmith+Brown, PC
One Spring Street
New Brunswick, NJ 08901

Attorney

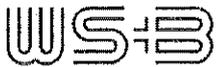
Apruzzese, McDermott, Mastro & Murphy, PC
Somerset Hills Corporate Center
25 Independence Blvd.
Warren, NJ 07059

Sterns & Weinroth
50 West State St.
Trenton, NJ 08607

Official Depository

Capital One Bank, NA
755 US Highway 1 South
Iselin, NJ 08830

FINANCIAL SECTION



WithumSmith+Brown, PC
A Professional Corporation
Certified Public Accountants and Consultants

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Independent Auditors' Report

The Honorable Chairperson and Members
of the Board of Trustees
Princeton Charter School
Princeton, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Princeton Charter School (the "School") as of and for the fiscal year ended June 30, 2011 which collectively comprise the School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 business type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Princeton Charter School as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.



The Honorable President and Members
of the Board of Trustees
Princeton Charter School
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011 on our consideration of the Board of Education of the Princeton Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The 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 Management's Discussion and Analysis and the Budgetary Comparison Information on Exhibits C-1 through C-3 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 inquires 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 Princeton Charter School's basic financial statements. The accompanying introductory section, combining and individual non-major fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules and schedules of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 17, 2011
New Brunswick, NJ

WithumSmith+Brown, PC

James J. Decker
Licensed Public School Accountant #2502
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Management's Discussion and Analysis Year Ended June 30, 2011 (Unaudited)

This section of Princeton Charter School's annual financial report presents its discussion and analysis of the School's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the School's financial statements, which immediately follow this section.

Financial Highlights

- Overall revenue was \$5.15 million and overall expenses were \$5.39 million.
- Net assets of the School's governmental activities decreased by \$114,623.
- The net assets of the School's business-type activities decreased by \$6,672. The Food Service Program had a net increase of \$739 while the After School Program decreased by \$7,411.
- Enrollment in the School has been consistent with the prior year and increasing for each of the last several years since fiscal year ending 2010.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Princeton Charter School's Financial Report

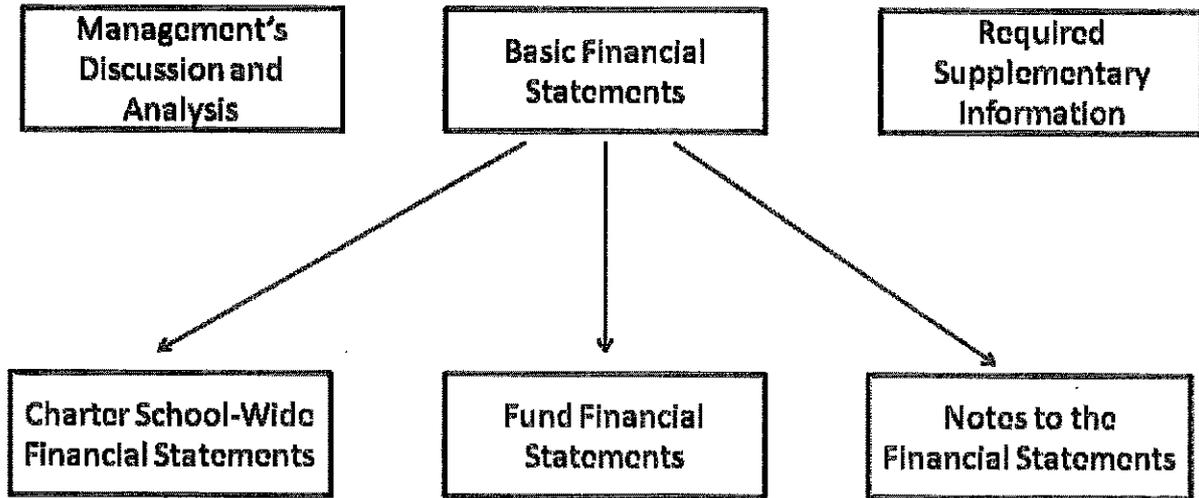


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Charter School-Wide and Fund Financial Statements

	Charter School-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: food service and an after school program	Instances in which the School administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets, and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Charter School-wide Financial Statements

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

The two Charter School-wide financial statements report the School's *net assets* and how they have changed. Net assets, the difference between the School's assets and liabilities, is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School's overall health, you need to consider additional nonfinancial factors such as changes in the School's property tax base and the condition of school buildings and other facilities.

In the Charter School-wide financial statements, the School's activities are divided into two categories:

- *Governmental activities*: Most of the School's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The School charges fees to help it cover the costs of certain services it provides. The School's food service and after school program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The School establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The School has three kinds of funds:

- *Governmental funds*: Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the Charter School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Charter School-wide statements. The School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The School currently does not maintain any internal service funds.
- *Fiduciary funds*: The School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the Charter School-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

The notes to financial statements provide additional information essential to full understanding of Charter School-wide and fund financial statements.

Financial Analysis of the School as a Whole

Net Assets. The School's combined net assets decreased \$121,295. Net assets from governmental activities decreased \$114,623 and net assets from business-type activities decreased \$6,672. Net assets invested in capital assets increased \$372, unrestricted net assets increased by \$112,358, and restricted net assets decreased by \$234,025.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010/11
	Governmental Activities		Business-Type Activities		Total School District		
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Current and							
Other assets	\$ 261,991	\$ 1,345,839	\$ 10,024	\$ 17,234	\$ 272,015	\$ 1,363,073	-80.78%
Capital assets	13,377,854	13,662,157	--	133	13,377,854	13,662,290	-2.08%
Total assets	<u>13,639,845</u>	<u>15,007,996</u>	<u>10,024</u>	<u>17,367</u>	<u>13,649,869</u>	<u>15,025,363</u>	-9.22%
Long-Term Debt							
Outstanding	8,929,377	9,214,185	--	--	8,929,377	9,214,185	-3.09%
Other liabilities	110,802	1,079,322	5,277	5,948	115,879	1,085,270	-89.81%
Total liabilities	<u>9,039,979</u>	<u>10,293,507</u>	<u>5,277</u>	<u>5,948</u>	<u>9,045,256</u>	<u>10,299,455</u>	-12.23%
Net Assets							
Invested in Capital							
Assets, net of							
Related debt	4,448,477	4,447,972	--	133	4,448,477	4,448,105	0.01%
Restricted	19,500	253,525	--	--	19,500	253,525	-92.31%
Unrestricted	<u>131,889</u>	<u>12,992</u>	<u>4,747</u>	<u>11,286</u>	<u>136,636</u>	<u>24,278</u>	443.24%
Total net assets	<u>\$ 4,599,866</u>	<u>\$ 4,714,489</u>	<u>\$ 4,747</u>	<u>\$ 11,419</u>	<u>\$ 4,604,613</u>	<u>\$ 4,725,908</u>	-2.67%

Changes in Net Assets. The School's combined net assets were \$4,604,613 on June 30, 2011, \$121,295 or 2.67 percent lower than they were the year before (See Figure A-3).

Figure A-4

	Changes in Net Assets from Operating Results						Percentage Change 2010/11
	Governmental Activities		Business-Type Activities		Total School District		
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Revenue:							
Program Revenue:							
Charges for services	\$ --	\$ --	\$ 157,796	\$ 140,002	\$ 157,796	\$ 140,002	12.71%
Operating grants and contributions	486,230	378,230	9,026	10,896	495,256	389,126	27.27%
Capital grants and contributions	--	690,029	--	--	--	690,029	-100.00%
General Revenue							
Property taxes	4,244,470	4,369,487	--	--	4,244,470	4,369,487	-2.86%
Other	251,680	174,804	--	--	251,680	174,804	43.98%
Total revenue	4,982,380	5,612,550	166,822	150,898	5,149,202	5,763,448	-10.66%
Expenses:							
Instruction	2,745,864	2,971,546	--	--	2,745,864	2,971,546	-7.59%
Pupil and instruction services	100,400	148,655	--	--	100,400	148,655	-32.46%
Administration and business	1,047,591	647,099	--	--	1,047,591	647,099	61.89%
Maintenance and operations	483,691	611,299	--	--	483,691	611,299	-20.87%
Transportation	13,594	25,654	--	--	13,594	25,654	-47.01%
Other	826,893	752,955	173,494	164,703	1,000,487	917,658	9.03%
Total expenses	5,218,134	5,157,208	173,494	164,703	5,391,628	5,321,911	1.31%
Increase (decrease) in net assets	\$ (235,754)	\$ 455,342	\$ (6,672)	\$ (13,805)	\$ (242,426)	\$ 441,537	-154.91%

Revenue Sources. The School's total revenue for the 2010-2011 school year was \$5,149,202 (See Figure A-5). Property taxes and state and federal aid accounted for most of the School's revenue, with local taxes accounting for \$4.24 million of the total, or 82.43 percent; and \$230,994 or 4.49 percent of state and federal aid. The remainder of revenue is from charges for services and miscellaneous sources.

Figure A-5

Sources of Revenue for Fiscal Year 2011

Sources of Income	Amount	Percentage
Operating grants and contribution	\$ 495,256	9.62%
Property taxes	4,244,470	82.43%
Federal and state aid not restricted	230,994	4.49%
Charges of services	157,796	3.06%
Other	20,686	0.40%
	\$ 5,149,202	100.00%

The total cost of all programs and services was \$5,391,372 (See Figure A-6). The School's expenses are predominantly related to instruction and related pupil services, 52.79 percent. Maintenance and operation of the School accounted for 8.97 percent. The School's administrative and business activities accounted for 19.43 percent of total costs.

Figure A-6

Expenses for Fiscal Year 2011

Expense Category	Amount	Percentage
Instruction	\$ 2,745,864	50.93%
Pupil and instruction services	100,400	1.86%
Administrative and business	1,047,591	19.43%
Maintenance and operations	483,691	8.97%
Transportation	13,594	0.25%
Other	1,000,487	18.56%
	<u>\$ 5,391,628</u>	<u>100.00%</u>

Governmental Activities

During the 2010-2011 school year, Princeton Charter School amended its General Fund budget as needed. The School uses program based budgeting. These budgeting systems are designed to control total program costs while allowing flexibility for program management. The financial position of the School remains stable while the School's enrollment has remained at 344 students from the prior year. Careful management of expenses remains essential for the School to maintain its financial health.

Figure A-7 presents the cost of six major School activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services 2010/11	Total Cost of Services 2009/10	Net Cost of Services 2010/11	Net Cost of Services 2009/10
Instruction	\$ 2,745,864	\$ 2,971,546	\$ 2,458,761	\$ 2,756,236
Pupil and instruction services	100,400	148,655	49,468	36,885
Administrative and business	1,047,591	647,099	977,696	614,942
Maintenance and operations	483,691	611,299	470,905	597,305
Transportation	13,594	25,654	13,594	25,654
Other	1,000,487	917,658	821,993	62,926
	<u>\$ 5,391,628</u>	<u>\$ 5,321,911</u>	<u>\$ 4,792,417</u>	<u>\$ 4,093,948</u>

- The cost of all governmental activities this year was \$5.39 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$495,256).
- Most of the School's costs, however, were financed by local taxpayers (\$4.24 million).
- A portion of the governmental activities was financed with \$230,994 in state and federal aid.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Princeton Charter School conducts business-type activities, specifically an after school program and a lunch program. Net assets from the School's business-type activities decreased \$6,672 (Refer to Figure A-4). Factors contributing to these results included:

- An increase in net assets of \$739 for the Food Service Program and a decrease in net assets of \$7,411 for the After School Program.

Financial Analysis of the School's Funds

During 2010-2011, the School remained consistent with the prior year enrollment of 344 students. The School employed 33.1 full-time equivalent faculty and aides, which resulted in an overall salary decrease from 2009-2010. Increased expenditures for other instruction and administrative costs were driven by an increase in benefits. To maintain a stable financial position, the School must continue its practice of sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the School revised the annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage Change 2009/10
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	
Sites (land)	\$ 2,560,000	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000	\$ 2,560,000	0.00%
Site improvements	152,851	117,827	--	--	152,851	117,827	29.72%
Building and building improvements	10,459,781	10,661,051	--	--	10,459,781	10,661,051	-1.89%
Machinery and equipment	205,222	323,279	--	133	205,222	323,412	-36.54%
	<u>\$ 13,377,854</u>	<u>\$ 13,662,157</u>	<u>\$ --</u>	<u>\$ 133</u>	<u>\$ 13,377,854</u>	<u>\$ 13,662,290</u>	<u>-2.08%</u>

Overall, capital assets decreased \$284,436 from fiscal year 2010 to fiscal year 2011. The decrease in capital assets is due to \$254,911 of net purchases of building and building improvements, offset by current year depreciation.

Long-term Debt

At year-end, the School had \$8,256,323 in loans outstanding – as shown in Figure A-9. (More detailed information about the School's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

Outstanding Long-Term Debt

	<u>Total Charter School District 2010/2011</u>	<u>2009/2010</u>	<u>Percentage Change</u>
Loans Payable	<u>\$ 8,256,323</u>	<u>\$ 8,420,000</u>	-1.94%

Factors Bearing on the School's Future Revenue/Expense Changes

Princeton Charter School has completed its fourteenth year of operation. During the 2010-2011 academic year, the School enrolled 344 students in kindergarten through grade eight. Princeton Charter School is in such great demand that there has always been a waiting list for in-district applicants and no out-of-district child has ever been admitted.

The School must allocate funds for "fixed" obligations, which increase from year to year, particularly electricity and heating, communication, refuse removal, sewage and water. Special education programs and related services, including transportation, cannot be predicted with absolute certainty; however, the School maintains its commitment to meet the needs of these students.

Contracting the School's Financial Management

This financial report is designed to provide the School's citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator's office, 100 Bunn Drive, Princeton, NJ 08540.

BASIC FINANCIAL STATEMENTS

**CHARTER SCHOOL-WIDE
FINANCIAL STATEMENTS**

**Princeton Charter School
Statement of Net Assets
June 30, 2011**

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 199,114	\$ 7,642	\$ 206,756
Internal balances	10	--	10
Receivables from other governments	60,767	57	60,824
Other account receivable	2,100	2,325	4,425
Capital assets			
Site (land)	2,560,000	--	2,560,000
Depreciable site improvements, building and Building improvements, furniture, machinery and equipment	10,817,854	--	10,817,854
Total assets	<u>13,639,845</u>	<u>10,024</u>	<u>13,649,869</u>
LIABILITIES			
Accounts payable-vendors	29,515	94	29,609
Accrued salaries	--	--	-
Medical insurance payable	39,306	--	39,306
Payable to local government	41,781	--	41,781
Deferred revenue	--	5,183	5,183
Noncurrent liabilities:			
Due beyond one year	8,929,377	--	8,929,377
Total liabilities	<u>9,039,979</u>	<u>5,277</u>	<u>9,045,256</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,448,477	--	4,448,477
Restricted for:			
Other purposes	19,500	--	19,500
Unrestricted	131,889	4,747	136,636
Total net assets	<u>\$ 4,599,866</u>	<u>\$ 4,747</u>	<u>\$ 4,604,613</u>

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

**Princeton Charter School
Statement of Activities
Governmental Funds
Year Ended June 30, 2011**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,685,878	\$ --	\$ 227,117	\$ --	\$ (2,458,761)	\$ --	\$ (2,458,761)
Other instruction	59,966	--	12,727	--	(47,259)	--	(47,259)
Support services:							
Student & instruction related services	100,400	--	98,192	--	(2,209)	--	(2,209)
School administrative services	1,047,591	--	69,895	--	(977,696)	--	(977,696)
Plant operations and maintenance	483,691	--	12,786	--	(470,905)	--	(470,905)
Pupil transportation	13,594	--	--	--	(13,594)	--	(13,594)
Interest on long-term debt	352,690	--	--	--	(352,690)	--	(352,690)
ARRA grant	--	--	60,513	--	60,513	--	60,513
Safety grant	--	--	5,000	--	5,000	--	5,000
Unallocated depreciation	474,303	--	--	--	(474,303)	--	(474,303)
Total governmental activities	<u>5,218,134</u>	<u>--</u>	<u>486,230</u>	<u>--</u>	<u>(4,731,904)</u>	<u>--</u>	<u>(4,731,904)</u>
Business-type activities:							
Food Service	127,178	109,891	9,026	--	--	(8,261)	(8,261)
After School Program	46,316	47,905	--	--	--	1,589	1,589
Total business-type activities	<u>173,494</u>	<u>157,796</u>	<u>9,026</u>	<u>--</u>	<u>--</u>	<u>(6,672)</u>	<u>(6,672)</u>
Total primary government	<u>\$ 5,391,628</u>	<u>\$ 157,796</u>	<u>\$ 495,256</u>	<u>\$ --</u>	<u>\$ (4,731,904)</u>	<u>\$ (6,672)</u>	<u>\$ (4,738,576)</u>
General revenues:							
Local share					\$ 4,244,470	\$ --	\$ 4,244,470
State share					230,994	--	230,994
Interest					1,470	--	1,470
Miscellaneous Income					19,216	--	19,216
Total general revenues, special items, extraordinary items and transfers					<u>4,496,150</u>	<u>--</u>	<u>4,496,150</u>
Change in net assets					(235,754)	(6,672)	(242,426)
Net Assets—beginning, before other items					<u>4,714,489</u>	<u>11,419</u>	<u>4,725,908</u>
Net Assets—ending, before other items					<u>4,478,735</u>	<u>4,747</u>	<u>4,483,482</u>
Change in fair value of financial instrument					121,131	--	121,131
Net Assets—ending, after other items					<u>\$ 4,599,866</u>	<u>\$ 4,747</u>	<u>\$ 4,604,613</u>

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

FUND FINANCIAL STATEMENTS

**Princeton Charter School
Balance Sheet
Governmental Funds
June 30, 2011**

Exhibit B-1

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 199,114	\$ --	\$ --	\$ 199,114
Receivables, net	2,100	--	--	2,100
Interfund receivables				
Fiduciary Fund	10	--	--	10
Receivables from other governments				
Federal	--	2,569	--	2,569
Local	9,431	--	--	9,431
State	48,767	--	--	48,767
Total assets	<u>\$ 259,422</u>	<u>\$ 2,569</u>	<u>\$ --</u>	<u>\$ 261,991</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable- vendors	\$ 26,946	\$ 2,569	\$ --	\$ 29,515
Intergovernmental Payable				
Local	41,781	--	--	41,781
Medical Insurance payable	39,306	--	--	39,306
Total liabilities	<u>108,033</u>	<u>2,569</u>	<u>--</u>	<u>110,602</u>
Fund Balances:				
General Fund:				
Assigned	19,500	--	--	19,500
Unassigned	131,889	--	--	131,889
Total fund balances	<u>151,389</u>	<u>--</u>	<u>--</u>	<u>151,389</u>
Total liabilities and fund balances	<u>\$ 259,422</u>	<u>\$ 2,569</u>	<u>\$ --</u>	
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 \$16,142,143 and the accumulated depreciation is \$2,764,289				13,377,854
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.				(8,929,377)
Net assets of governmental activities				<u>\$ 4,599,866</u>

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

**Princeton Charter School
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2011**

	Exhibit B-2			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local sources:				
Equalization aid	\$ 4,244,470	\$ --	\$ --	\$ 4,244,470
Miscellaneous	19,216	--	1,470	20,686
Total - local sources	<u>4,263,686</u>	<u>--</u>	<u>1,470</u>	<u>4,265,156</u>
State sources	595,314	--	--	595,314
Federal sources	--	121,910	--	121,910
Total revenues	<u>4,859,000</u>	<u>121,910</u>	<u>1,470</u>	<u>4,982,380</u>
EXPENDITURES				
Current:				
Regular instruction	2,176,734	--	--	2,176,734
Support services and undistributed costs:				
Student & instruction related services	--	56,397	--	56,397
School administrative services	872,090	--	--	872,090
Interest on long-term debt	352,690	--	--	352,690
Plant operations and maintenance	453,840	--	--	453,840
Pupil transportation	10,515	--	--	10,515
Unallocated benefits	756,398	--	--	756,398
Construction	--	--	136,096	136,096
Capital outlay	217,235	65,513	--	282,748
Total expenditures	<u>4,839,502</u>	<u>121,910</u>	<u>136,096</u>	<u>5,097,508</u>
Excess (deficiency) of revenues over expenditures	<u>19,498</u>	<u>--</u>	<u>(134,626)</u>	<u>(115,128)</u>
Net change in fund balances	19,498	--	(134,626)	(115,128)
Fund balance—July 1	131,891	--	134,626	266,517
Fund balance—June 30	<u>\$ 151,389</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 151,389</u>

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

**Princeton Charter School
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2011**

Exhibit B-3

Total net change in fund balances - governmental funds (from B-2) \$ (115,128)

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.

	\$	(539,214)	
Depreciation expense			
Capital outlays		254,911	(284,303)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces
 long-term liabilities in the statement of net assets and is not reported in the statement of activities 163,677

Change in net assets of governmental activities \$ (235,754)

**Princeton Charter School
Statement of Net Assets
Proprietary Funds
June 30, 2011**

Exhibit B-4

	<u>Business-type Activities - Enterprise Funds Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,642
Accounts receivable	2,325
State	57
Total current assets	<u>10,024</u>
Noncurrent assets:	
Furniture, machinery & equipment	3,243
Less accumulated depreciation	<u>(3,243)</u>
Total noncurrent assets	--
Total assets	<u>\$ 10,024</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 94
Accounts payable	5,183
Total current liabilities	<u>5,277</u>
NET ASSETS	
Unrestricted	4,747
Total net assets	<u>\$ 4,747</u>

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

**Princeton Charter School
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011**

Exhibit B-5

	<u>Business- type Activities - Enterprise Funds</u>
Operating revenues:	
Local sources:	
Daily sales - reimbursable programs	
School Lunch Program	\$ 109,891
Miscellaneous program fees	47,905
Total operating revenues	<u>157,796</u>
Operating expenses:	
Cost of sales	101,450
Salaries & wages	66,918
Supplies & materials	4,994
Depreciation	132
Total operating expenses	<u>173,494</u>
Operating loss	<u>(15,698)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	1,050
Federal sources:	
National school lunch program	7,976
Total nonoperating revenues	<u>9,026</u>
Change in net assets	(6,672)
Total net assets—beginning	11,419
Total net assets—ending	<u>\$ 4,747</u>

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

**Princeton Charter School
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011**

Exhibit B-6

	Business-type Activities - Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 161,753
Payments to employees	(68,978)
Payments to suppliers	(106,398)
Net cash used for operating activities	<u>(13,623)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	1,077
Federal sources	8,743
Net cash used for non-capital financing activities	<u>9,820</u>
Net decrease in cash and cash equivalents	(3,803)
Balances—beginning of year, July 1	11,445
Balances—end of year, June 30	<u>\$ 7,642</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating loss	\$ (15,698)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation and net amortization	132
Increase in accounts payable	94
Decrease in accrued salaries	(2,060)
Increase in deferred revenue	1,295
Decrease in accounts receivable, net	2,614
Total adjustments	<u>2,614</u>
Net cash used for operating activities	<u>\$ (13,623)</u>

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

**Princeton Charter School
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

Exhibit B-7

	<u>Unemployment Trust Fund</u>	<u>Payroll</u>	<u>Student Activity</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,127	\$ 10	\$ 244	\$ 1,381
Total assets	<u>1,127</u>	<u>10</u>	<u>244</u>	<u>1,381</u>
LIABILITIES				
Due to General Fund	--	10	--	10
Due to student groups	--	--	244	244
Total liabilities	<u>--</u>	<u>10</u>	<u>244</u>	<u>254</u>
NET ASSETS				
Held in trust for unemployment claims	1,127	--	--	1,127
Total net assets	<u>\$ 1,127</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,127</u>

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

**Princeton Charter School
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

Exhibit B-8

ADDITIONS

Contributions:

Plan members \$ 5,396

DEDUCTIONS

Transfer to General Fund to cover
unemployment claims

4,269

Change in net assets

1,127

Net assets, beginning of year

--

Net assets, end of year

\$ 1,127

Princeton Charter School
Notes to Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies

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

Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the School. A Head of School is appointed by the Board and is responsible for the administrative control of the School.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and schools by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the 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 School is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

Charter School-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the School's governmental and business type activities. These statements include the financial activities of the overall School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the School. Governmental activities generally are financed through taxes, intergovernmental revenue and other non exchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the School.

Princeton Charter School
Notes to Financial Statements
June 30, 2011

Fund Financial Statements:

During the fiscal year, the School segregates transaction related to certain School functions or activities in separate funds, in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the School's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The New Jersey Department of Education ("NJDOE") has elected to require New Jersey Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among School financial reporting models.

The School reports the following government funds:

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

As required by NJDOE, the School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or loans that are specifically authorized by the Board of Trustees.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. This fund is not applicable to the School's operations.

The School reports the following proprietary fund:

Enterprise Fund: The School operates two Enterprise Funds, the After School Program Fund and the Food Service Fund. The Food Service Fund accounts for the activities of the School's food service, generally the School hot lunch program. The After School Program Fund accounts for the activities of the After School Program.

The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Princeton Charter School
Notes to Financial Statements
June 30, 2011

Additionally, the School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the School on behalf of others and includes the Payroll Agency Fund.

Measurement Focus and Basis of Accounting

The charter school-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the School the entire balance of aid in the amount reported to each district by the State Department of Education. The School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Reports for the School's Food Service Fund are prepared following the Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with *Governmental Accounting Standards Board* ("GASB") pronouncements.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. A budget summary, budget narrative and cash flow statement for the following fiscal year are submitted to the County office on or before March 30 each year. The budget documents are based upon the most recent enrollment projections provided to the charter school by the County. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 4,859,000	\$ 121,910
Differences – Budget to GAAP: Grant Accounting Budgetary Basis Differs from GAAP in that encumbrances are recognized as Expenditures and the related revenue is recognized.	<u> --</u>	<u> --</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.	<u>\$ 4,859,000</u>	<u>\$ 121,910</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,839,502	\$ 121,910
Differences – Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u> --</u>	<u> --</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$ 4,839,502</u>	<u>\$ 121,910</u>

Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the *Governmental Unit Deposit Protection Act* ("GUDPA") which was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

Inter-Fund Transactions

Transfers between Governmental and Business-type activities on the Charter School-Wide Statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amount due between Governmental and Business-type activities or Governmental and Agency Funds, which are presented as internal balances.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the School has received advances are reflected in the balance sheet as deferred revenue 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.

Short-term Inter-Fund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than changes for goods or services rendered to/from a particular fund in the School and that are due within one year.

Capital Assets

During the School's initial year a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The School does not possess any infrastructure. The School has reviewed capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-wide statements and proprietary funds are as follows:

Description	Estimated Useful Lives (Years)
Buildings	50
Site Improvements	20
Furniture and Equipment	10-15
Computer and Related Technology	5
Vehicles	8

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Long Term Liabilities

In the charter school-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Accrued Salaries and Wages

School employees, who provide services to the School over the ten-month academic year, are now paid over ten months where in prior years, school employees have had the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned amounts be retained in a separate bank account.

Compensated Absences

School employees are granted varying amounts of vacation and sick leave in accordance with the School's personnel policy. However, School employees are not permitted to accrue vacation or sick time.

Deferred Revenue

Deferred revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1 regarding the Special Revenue Fund.

Fund Balance Appropriated

The General Fund balance at June 30, 2011 in the amount of \$131,889 is unassigned.

Net Assets

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

Fund Balance Restrictions, Commitments, and Assignments

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

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The School has no funds restricted at June 30, 2011.

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

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

The assignment of resources is generally made by the Board Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the School to assign resources through policies adopted by the Board of Trustees. The School has \$19,500 of assigned resources at June 30, 2011.

Revenue – 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

Operating Revenue and Expenses

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. These revenues are sales for food service and fees charged for services in various special programs run by the School. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

2. Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and charter school-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

3. Cash and Cash Equivalents and Investments

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The School limits its investment to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5 percent of the average daily balance of collected public funds on deposit, and

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - a) The underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - b) The custody of collateral is transferred to a third party;
 - c) The maturity of the agreement is not more than 30 days;
 - d) The underlying securities are purchased through a public depository as defined in statute; and
 - e) A master repurchase agreement providing for the custody and security of collateral is executed.

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

	Total
Checking and Savings Accounts	<u>\$ 206,756</u>

The carrying amount of the School's cash and cash equivalents and investments at June 30, 2011, was \$206,756 and the bank balance was \$272,814.

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

4. Capital Assets

Capital asset balances and activity for the fiscal year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Retirements/ Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Sites (land)	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000
Total capital assets not being depreciated	<u>2,560,000</u>	<u>--</u>	<u>--</u>	<u>2,560,000</u>
Capital assets being depreciated				
Site improvements	163,953	45,129	--	209,082
Buildings and building improvements	12,253,168	136,096	--	12,389,264
Machinery and equipment	926,441	73,942	(16,586)	983,797
Total capital assets being depreciated	<u>13,343,562</u>	<u>255,167</u>	<u>(16,586)</u>	<u>13,582,143</u>
Governmental activities capital assets	<u>15,903,562</u>	<u>255,167</u>	<u>(16,586)</u>	<u>16,142,143</u>
Less accumulated depreciations for:				
Site improvements	(46,126)	(10,105)	--	(56,231)
Buildings and building improvements	(1,592,117)	(337,366)	--	(1,929,483)
Machinery and equipment	(603,162)	(191,743)	16,330	(778,575)
	<u>(2,241,405)</u>	<u>(539,214)</u>	<u>16,330</u>	<u>(2,764,289)</u>
Governmental activities capital assets Net of accumulated depreciation	<u>\$ 13,662,157</u>	<u>\$ (284,047)</u>	<u>\$ (256)</u>	<u>\$ 13,377,854</u>
Business type activities				
Capital assets being depreciated				
Furniture and equipment	\$ 3,243	\$ --	\$ --	\$ 3,243
Less accumulated depreciation	(3,110)	(133)	--	(3,243)
Net of accumulated depreciation	<u>\$ 133</u>	<u>\$ (133)</u>	<u>\$ --</u>	<u>\$ --</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 9,811
Other instruction	87
Student and instruction related services	28,618
School administrative services	21,832
Plant operations and maintenance	1,740
Pupil transportation	3,079
Unallocated	474,047
	<u>\$ 539,214</u>

5. Commitments

The School has a commitment to lease copying equipment under an operating lease which expires in June 2012. Total operating lease payments made during the fiscal year ended June 30, 2011 were \$14,880. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2012	<u>\$ 14,880</u>

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

The School has a commitment for a cleaning service contract which expires in July 2013. Total payments made during fiscal year ended June 30, 2011 were \$48,775. Future minimum payments are as follows:

Year Ended June 30,	Amount
2012	\$ 50,238
2013	<u>50,238</u>
Total	<u>\$ 100,476</u>

6. General Long-Term Debt

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the charter school-wide financial statements:

	Balance June 30, 2010	Retired or Matured	New Borrowings	Balance June 30, 2011
Loans Payable	<u>\$ 8,420,000</u>	<u>\$ (163,677)</u>	<u>\$ --</u>	<u>\$ 8,256,323</u>

Loans Payable

In the year ending June 30, 2009, the School borrowed \$8,420,000 from Capital One Bank, N.A., financed through the New Jersey Economic Development Authority ("EDA"). The School utilized the proceeds and constructed an external stairwell in the upper-school building and an adjoining campus center which houses three classrooms, a black box theatre, and a combination auditorium-gymnasium.

This loan is collateralized by a first mortgage on the 100 Bunn Drive property in Princeton, NJ owned by the School and an assignment of all School rents and leases existing or executed in the future.

Principal and interest due on loans outstanding are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 288,211	\$ 329,944	\$ 618,155
2013	299,953	318,202	618,155
2014	312,173	305,982	618,155
2015	324,892	293,263	618,155
2016	338,128	280,027	618,155
2017-2021	1,908,854	1,181,921	3,090,775
2022-2026	2,330,704	760,071	3,090,775
2027-2031	<u>2,453,408</u>	<u>248,645</u>	<u>2,702,053</u>
	<u>\$ 8,256,323</u>	<u>\$ 3,718,055</u>	<u>\$ 11,974,378</u>

Loans Payable will be liquidated by the General Fund.

Interest Rate Swap

The loan payable incurs interest at the 30-day LIBOR interest rate plus 113.75 basis points, but the School entered into an interest rate swap agreement with the bank to reduce the impact of changes in interest rate on its floating rate debt. The notional amount under the swap decreases as principal payments are made on the note so that the notional amount equals the principal outstanding under the note. The interest rate charged to the School on the long-term debt covered by the interest rate swap agreement is 4.11 percent. As of June 30, 2011, the fair value of the interest rate swap was a liability of \$673,054. The change in fair value is reflected as an expense in Exhibit A-2.

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

Loan Covenants

The School is subject to various loan covenants pertaining to debt service coverage, enrollment level, and liquidity. The School was in compliance with all covenants at June 30, 2011.

7. Pension Plans

Description of Plans- Substantially all the School District's employees participate in one of the following defined benefit pension plans which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits: the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System ("PERS"). In addition, several School District employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. 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 the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on 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 the plan members are determined by State statute. In accordance with Chapters 113, 144 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5 percent of their annual covered salary. Effective July 1, 2007 however, in accordance with Chapter 92 and Chapter 103, P.L. 2007 plan members were required to contribute 5.5 percent of their covered annual salary. The State Treasurer has the right under the current law to make temporary reductions in 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 exists.

Under current statute, all employer contributions are made by the State of New Jersey, on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

Public Employees' Retirement System

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

The contributions requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS were required to contribute 5 percent of their annual salary. Effective July 1, 2007 however, in accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5 percent of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence if surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus pension assets no longer exists.

The School District is billed annually for its normal contribution plus any accrued liability.

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Normal Contribution	Accrued Liability	Non Contributory Life	Funded by Excess Pension Asset Credit	Total Liability
2011	\$ 11,472	\$ 18,279	\$ 2,260	\$ --	\$ 32,011
2010	\$ 15,778	\$ 20,273	\$ 5,000	\$ --	\$ 41,051
2009	\$ 12,612	\$ 14,588	\$ 3,781	\$ --	\$ 30,581
2008	\$ 17,461	\$ 13,456	\$ --	\$ (6,183)	\$ 24,734

8. Post-Retirement Benefits

P.L. 1987, c. 384 and 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 post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education 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.

9. Risk Management

The 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 School is a member of the New Jersey School Boards' Association Insurance Group ("NJSBAIG"). NJSBAIG provides its members with comprehensive general liability, automobile liability, property, boiler and machinery, school board legal liability, and with workers' compensation insurance coverage.

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. NJSBAIG is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the NJSBAIG are elected.

As a member of NJSBAIG, the School could be subject to supplemental assessments in the event of deficiencies. If the assets of NJSBAIG were to be exhausted, members would become responsible for their respective shares of NJSBAIG's liabilities. NJSBAIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

**Princeton Charter School
Notes to Financial Statements
June 30, 2011**

Selected financial information for the NJSBAIG as of June 30, 2010 is as follows:

	New Jersey School Board's Association Insurance Group
Total Assets	\$ 241,084,120
Net Assets	\$ 57,984,070
Total Revenue	\$ 85,455,060
Total Expenses	\$ 76,536,630
Change in Net Assets	\$ 8,918,430
Net Asset Distribution to Participating Members	\$ --

Financial statements for the NJSBAIG are available at the Executive Director's Office:

New Jersey School Boards Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060
www.njsbaig.org

10. Economic Dependency

The School receives a substantial amount of its support from state and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the School's programs and activities.

The School has renewed its lease with Princeton Symphony Orchestra in February 2011. The lease was renewed for a three-year lease term commencing on July 15, 2011 and ending on July 15, 2014. The rent for the first year shall be \$983 per month or \$11,796 for the year. The rent shall adjust on each of the following lease anniversary dates at the rate of 3 percent per year. Accordingly, the rent due for year two is \$1,013 per month or \$12,156 for the year. In year three the rent due is \$1,043 per month or \$12,516 for the year.

11. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 10	\$ --
Fiduciary Fund	--	10
	<u>\$ 10</u>	<u>\$ 10</u>

The interfund payable in the Fiduciary Fund consists of funds to be transferred to the General Fund for prepaid pension costs on accrued salaries and is offset by an interfund receivable in the General Fund.

12. Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by TIAA CREF, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

**Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2010**

13. Contingent Liabilities

Grant Programs

The School participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The School is periodically involved in lawsuits. The School estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the School.

14. Subsequent Events

The School has evaluated subsequent events occurring after the date of June 30, 2011 through the date of October 17, 2011, which is the date the financial statements were available to be issued. Based on this evaluation, the School has determined that no subsequent events have occurred, which require disclosure in the financial statements.

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

**Princeton Charter School
 Budgetary Comparison Schedule – Budgetary Basis
 General Fund
 Year Ended June 30, 2011**

**Exhibit C-1
 Page 1 of 2**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Equalization aid	\$ 4,425,820	\$ (150,535)	\$ 4,275,285	\$ 4,244,470	\$ (30,815)
Miscellaneous	15,000	--	15,000	19,216	4,216
Total - local sources	4,440,820	(150,535)	4,290,285	4,263,686	(26,599)
State Sources:					
Adjustment aid	22,623	143,577	166,200	207,146	40,946
Special education aid	47,300	(16,890)	30,410	20,279	(10,131)
Non-public aid	--	23,848	23,848	23,848	--
TPAF - pension contribution (on-behalf non-budgeted)	--	--	--	160,713	160,713
TPAF - social security (reimbursed- non-budgeted)	--	--	--	183,328	183,328
Total - State sources	69,923	150,535	220,458	595,314	374,856
Total Revenues	4,510,743	--	4,510,743	4,859,000	348,257
EXPENDITURES:					
Instruction:					
Salaries of teachers	2,030,110	(133,271)	1,896,839	1,830,001	66,838
Other salaries for instruction	244,527	(25,000)	219,527	219,523	4
Purchased professional/technical services	58,000	(46,000)	12,000	11,587	413
Other purchased services	20,400	1,500	21,900	21,731	169
General supplies	73,140	(16,140)	57,000	46,827	10,173
Textbooks	20,000	13,000	33,000	29,673	3,327
Miscellaneous expenses	36,800	(15,800)	21,000	17,392	3,608
Total Instructional Expenses	2,482,977	(221,711)	2,261,266	2,176,734	84,532
Administrative					
Salaries - administrative	180,595	247,739	428,334	428,324	10
Salaries - secretarial and clerical assistants	133,685	1,195	134,880	134,857	23
Total benefit costs	446,767	(34,402)	412,365	412,357	8
Purchased professional/technical services	100,760	(3,405)	97,355	97,324	31
Other purchased services	69,000	77,775	146,775	146,620	155
Communications/telephone	21,580	(2,930)	18,650	18,643	7
General supplies	7,500	500	8,000	7,942	58
Mortgage payments-interest	346,680	7,100	353,780	352,690	1,090
Miscellaneous expenditures	25,240	13,160	38,400	38,380	20
Total Administrative Expenses	1,331,807	306,732	1,638,539	1,637,137	1,402

**Princeton Charter School
 Budgetary Comparison Schedule – Budgetary Basis
 General Fund
 Year Ended June 30, 2011**

**Exhibit C-1
 Page 2 of 2**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
Support Services					
Salaries	159,410	(2,800)	156,610	156,575	35
Purchased professional/technical services	113,420	(15,920)	97,500	97,382	118
Other purchased services	25,140	12,860	38,000	37,923	77
Insurance for property, liability and fidelity	35,000	1,512	36,512	36,512	--
Supplies and materials	47,400	1,000	48,400	47,899	501
Transportation- other than to/from school	10,000	515	10,515	10,515	--
Energy (energy and electricity)	125,000	(49,000)	76,000	75,052	948
Miscellaneous expenditures	17,500	(13,300)	4,200	2,497	1,703
Total Support Services	<u>532,870</u>	<u>(65,133)</u>	<u>467,737</u>	<u>464,355</u>	<u>3,382</u>
TPAF - pension contribution (on-behalf non-budgeted)	--	--	--	160,713	(160,713)
TPAF - social security (reimbursed- non-budgeted)	--	--	--	183,328	(183,328)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>--</u>	<u>--</u>	<u>--</u>	<u>344,041</u>	<u>(344,041)</u>
CAPITAL OUTLAY					
Instructional equipment	20,000	(10,000)	10,000	9,469	531
Non-instructional equipment	20,000	(10,000)	10,000	6,897	3,103
Purchase land/improvements	--	40,000	40,000	37,192	2,808
Mortgage payments-principal	163,677	83	163,760	163,677	83
Miscellaneous expenditures	--	--	--	--	--
TOTAL Capital Outlay	<u>203,677</u>	<u>20,083</u>	<u>223,760</u>	<u>217,235</u>	<u>6,525</u>
TOTAL EXPENDITURES	<u>4,551,331</u>	<u>39,971</u>	<u>4,591,302</u>	<u>4,839,502</u>	<u>95,841</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,588)</u>	<u>(39,971)</u>	<u>(80,559)</u>	<u>19,498</u>	<u>100,057</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(40,588)</u>	<u>(39,971)</u>	<u>(80,559)</u>	<u>19,498</u>	<u>100,057</u>
Fund Balance, July 1	131,891	--	131,891	131,891	--
Fund Balance, June 30	<u>\$ 91,303</u>	<u>\$ (39,971)</u>	<u>\$ 51,332</u>	<u>\$ 151,389</u>	<u>\$ 100,057</u>
Recapitulation:					
Assigned Fund Balance				\$ 19,500	
Unassigned Fund Balance				131,889	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 151,389</u>	

**Princeton Charter School
 Budgetary Comparison Schedule – Budgetary Basis
 Special Revenue Fund
 Year Ended June 30, 2011**

Exhibit C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources	\$ --	\$ 5,000	\$ 5,000	\$ 5,000	\$ --
Federal sources	47,552	69,358	116,910	116,910	--
Total Revenues	<u>47,552</u>	<u>74,358</u>	<u>121,910</u>	<u>121,910</u>	<u>--</u>
EXPENDITURES:					
Support Services					
Purchased professional - educational services	43,552	2,923	46,475	46,475	--
Other purchased professional services	4,000	486	4,486	4,486	--
Equipment	--	70,949	70,949	70,949	--
Total Expenditures	<u>47,552</u>	<u>74,358</u>	<u>121,910</u>	<u>121,910</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Princeton Charter School
 Required Supplementary Information – Budgetary Comparison Schedule
 Notes to RSI
 Year Ended June 30, 2011**

Exhibit C-3

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 4,859,000	\$ 121,910
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 4,859,000</u>	<u>\$ 121,910</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 4,839,502	\$ 121,910
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,839,502</u>	<u>\$ 121,910</u>

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control.

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions on the annual budgets during the year).

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

**Princeton Charter School
Special Revenue Fund
Combining Schedule of Revenue and Expenditures – Budgetary Basis
Year Ended June 30, 2011**

Exhibit E-1

	<u>NCLB</u>	<u>IDEIA</u>	<u>IDEIA</u>	<u>Local</u>	<u>Total</u>
	<u>Title II Part A</u>	<u>Basic</u>	<u>ARRA</u>	<u>Sources</u>	<u>6/30/2011</u>
REVENUES					
Local Sources	\$ --	\$ --	\$ --	\$ 5,000	\$ 5,000
Federal Sources	4,486	46,475	65,949	--	116,910
Total Revenues	4,486	46,475	65,949	5,000	121,910
EXPENDITURES:					
Support services:					
Purchased professional - educational services	--	46,475	--	--	46,475
Other purchased professional services	4,486	--	--	--	4,486
Equipment	--	--	65,949	5,000	70,949
Total Expenditures	\$ 4,486	\$ 46,475	\$ 65,949	\$ 5,000	\$ 121,910

CAPITAL PROJECTS FUND

**Princeton Charter School
 Capital Projects Fund
 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Year Ended June 30, 2011**

Exhibit F-1

Revenues and Other Financing Sources:	
Interest income	\$ 1,470
Total revenues	<u>1,470</u>
Expenditures and Other Financing Uses:	
Construction services	<u>136,096</u>
Total expenditures	<u>136,096</u>
Deficiency of revenues under expenditures	(134,626)
Fund Balance 7/1/2010	<u>134,626</u>
Fund Balance 6/30/2011	<u>\$ --</u>

**Princeton Charter School
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Year Ended June 30, 2011**

Exhibit F-1a

	<u>Prior Period</u>	<u>Current Period</u>	<u>Totals</u>
Revenues and Other Financing Sources:			
Contribution from private source	\$ 292,075	\$ --	\$ 292,075
Sinking Fund	394,915	--	394,915
Transfer from General Fund	29,750	--	29,750
Interest income	3,039	1,470	4,509
Total revenues	<u>719,779</u>	<u>1,470</u>	<u>721,249</u>
Expenditures and Other Financing Uses:			
Purchased professional and technical services	59,798	--	59,798
Construction services	3,232,701	136,096	3,368,797
Salary	42,601	--	42,601
Total expenditures	<u>3,335,100</u>	<u>136,096</u>	<u>3,471,196</u>
Excess deficiency of revenues under expenses	<u>\$ (2,615,321)</u>	<u>\$ (134,626)</u>	<u>\$ (2,749,947)</u>

Additional Project Information:

Project number	0612
Bond authorization/referendum date	10/31/2008
Bonds authorized	4,920,000
Bonds issued	4,920,000
Capital & endowment contribution	822,783
Required Sinking Fund reserve	635,000
Original project authorized cost	5,855,000
Percentage completion	100%
Original target completion date	9/1/2010

PROPRIETARY FUNDS

**Princeton Charter School
Enterprise Fund
Combining Statement of Net Assets
June 30, 2011**

	<u>Food Service</u>	<u>After School Program</u>	<u>Exhibit G-1 Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,494	\$ 2,148	\$ 7,642
Accounts receivable			
State	57	--	57
Other receivables	685	1,640	2,325
Total current assets	<u>6,236</u>	<u>3,788</u>	<u>10,024</u>
Noncurrent assets:			
Equipment	3,243	--	3,243
Less accumulated depreciation	<u>(3,243)</u>	<u>--</u>	<u>(3,243)</u>
Total capital assets	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	<u>6,236</u>	<u>3,788</u>	<u>10,024</u>
LIABILITIES			
Current liabilities:			
Accounts payable	94	--	94
Deferred revenue	5,183	--	5,183
Total current liabilities	<u>5,277</u>	<u>--</u>	<u>5,277</u>
NET ASSETS			
Unrestricted	959	3,788	4,747
Total net assets	<u>\$ 959</u>	<u>\$ 3,788</u>	<u>\$ 4,747</u>

**Princeton Charter School
Enterprise Fund
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2011**

Exhibit G-2

	<u>Food Service</u>	<u>Afterschool Program</u>	<u>Total Enterprise</u>
Operating revenues:			
Charges for services:			
School lunch program	\$ 109,891	\$ --	\$ 109,891
Miscellaneous program revenue	--	47,905	47,905
Total operating revenues	<u>109,891</u>	<u>47,905</u>	<u>157,796</u>
Operating expenses:			
Cost of sales	101,450	--	101,450
Salaries	22,380	44,538	66,918
General supplies and materials	3,216	1,778	4,994
Depreciation	132	--	132
Total operating expenses	<u>127,178</u>	<u>46,316</u>	<u>173,494</u>
Operating income (loss)	<u>(17,287)</u>	<u>1,589</u>	<u>(15,698)</u>
Nonoperating revenues:			
State sources:			
State school lunch program	1,050	--	1,050
Federal sources:			
National school lunch program	7,976	--	7,976
Total nonoperating revenues	<u>9,026</u>	<u>--</u>	<u>9,026</u>
income (loss) before contributions & transfers	<u>(8,261)</u>	<u>1,589</u>	<u>(6,672)</u>
Transfers in (out)	<u>9,000</u>	<u>(9,000)</u>	<u>--</u>
Change in net assets	739	(7,411)	(6,672)
Total net assets—beginning	220	11,199	11,419
Total net assets—ending	<u>\$ 959</u>	<u>\$ 3,788</u>	<u>\$ 4,747</u>

**Princeton Charter School
Enterprise Fund
Combining Statement of Cash Flows
Year Ended June 30, 2011**

Exhibit G-3

	<u>Food Service</u>	<u>After School Program</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 111,306	\$ 50,447	\$ 161,753
Payments to employees	(24,440)	(44,538)	(68,978)
Payments to suppliers	(104,620)	(1,778)	(106,398)
Net cash provided by (used for) operating activities	<u>(17,754)</u>	<u>4,131</u>	<u>(13,623)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State sources	1,077	--	1,077
Federal sources	8,743	--	8,743
Cash received from operating transfers	9,000	(9,000)	--
Net cash provided by (used for) non-capital financing activities	<u>18,820</u>	<u>(9,000)</u>	<u>9,820</u>
Net increase (decrease) in cash and cash equivalents	1,066	(4,869)	(3,803)
Balances—beginning of year	4,428	7,017	11,445
Balances—end of year	<u>\$ 5,494</u>	<u>\$ 2,148</u>	<u>\$ 7,642</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (17,287)	\$ 1,589	\$ (15,698)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	132	--	132
Increase in accounts payable	94	--	94
Decrease in accrued salaries	(2,060)	--	(2,060)
Increase in deferred revenue	1,295	--	1,295
Decrease in accounts receivable	72	2,542	2,614
Net cash provided by (used for) operating activities	<u>\$ (17,754)</u>	<u>\$ 4,131</u>	<u>\$ (13,623)</u>

FIDUCIARY FUNDS

**Princeton Charter School
Fiduciary Funds
Combining Statement of Net Assets
June 30, 2011**

Exhibit H-1

	<u>Unemployment Trust Fund</u>	<u>Payroll</u>	<u>Student Activity</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 1,127	\$ 10	\$ 244	\$ 1,381
Total assets	<u>1,127</u>	<u>10</u>	<u>244</u>	<u>1,381</u>
Liabilities				
Due to General Fund	--	10	--	10
Due to student groups	--	--	244	244
Total liabilities	<u>--</u>	<u>10</u>	<u>244</u>	<u>254</u>
Net Assets				
Held in trust for unemployment claims	1,127	--	--	1,127
Total net assets	<u>\$ 1,127</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,127</u>

**Princeton Charter School
Payroll Agency Fund
Schedule of Receipts and Disbursements
June 30, 2011**

Exhibit H-5

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
ASSETS				
Cash and cash equivalents	\$ 98	\$ 3,419,039	\$ 3,419,127	\$ 10
Due from Employess	15,173	--	15,173	--
Total assets	<u>\$ 15,271</u>	<u>\$ 3,419,039</u>	<u>\$ 3,434,300</u>	<u>\$ 10</u>
LIABILITIES				
Due to General Fund	\$ 15,271	\$ --	\$ 15,261	\$ 10
Payroll deductions and withholdings	--	3,419,136	3,419,136	--
Total liabilities	<u>\$ 15,271</u>	<u>\$ 3,419,136</u>	<u>\$ 3,434,397</u>	<u>\$ 10</u>

LONG-TERM DEBT

Princeton Charter School
 Long-Term Debt
 Schedule of Loans Payable
 Year Ended June 30, 2011

		Exhibit I-4					
Issue	Date of Issue	Term of Loan	Amount of Original Loan	Interest Rate	Amount Outstanding July 1, 2010	Matured or Retired	Balance June 30, 2011
Capital One, NA EDA Loan	10/31/2008	20 Years	8,420,000	4.11%	\$ 8,420,000	\$ (163,677)	\$ 8,256,323
					<u>\$ 8,420,000</u>	<u>\$ (163,677)</u>	<u>\$ 8,256,323</u>

STATISTICAL SECTION

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the School's financial performances and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

Princeton Charter School
 Net Assets by Component,
 Last Ten Fiscal Years
 Unaudited
 (accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental activities							
Invested in capital assets, net of related debt	\$ 3,193,448	\$ 3,301,165	\$ 3,525,026	\$ 4,111,298	\$ 1,772,864	\$ 4,447,972	\$ 4,448,477
Restricted	(96,399)	25,000	25,000	25,000	2,767,947	253,525	19,500
Unrestricted	74,011	166,685	34,808	80,796	59,418	12,992	131,889
Total governmental activities net assets	<u>\$ 3,171,060</u>	<u>\$ 3,492,850</u>	<u>\$ 3,584,834</u>	<u>\$ 4,217,094</u>	<u>\$ 4,600,229</u>	<u>\$ 4,714,489</u>	<u>\$ 4,599,866</u>
Business-type activities							
Invested in capital assets, net of related debt							
Restricted	\$ 1,754	\$ 1,429	\$ 1,105	\$ 781	\$ 457	\$ 133	\$ --
Unrestricted	18,732	3,605	18,638	33,001	24,767	11,286	4,747
Total business-type activities net assets	<u>\$ 20,486</u>	<u>\$ 5,034</u>	<u>\$ 19,743</u>	<u>\$ 33,782</u>	<u>\$ 25,224</u>	<u>\$ 11,419</u>	<u>\$ 4,747</u>
Charter School-wide							
Invested in capital assets, net of related debt	\$ 3,195,202	\$ 3,302,594	\$ 3,526,131	\$ 4,112,079	\$ 1,773,321	\$ 4,448,105	\$ 4,448,477
Restricted	(96,399)	25,000	25,000	25,000	2,767,947	253,525	19,500
Unrestricted	92,743	170,290	53,546	113,797	84,185	24,278	136,636
Total district net assets	<u>\$ 3,191,546</u>	<u>\$ 3,497,884</u>	<u>\$ 3,604,677</u>	<u>\$ 4,250,876</u>	<u>\$ 4,625,453</u>	<u>\$ 4,725,908</u>	<u>\$ 4,604,613</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

Princeton Charter School
Changes in Net Assets
Last Ten Fiscal Years
Unaudited
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Expenses							
Governmental activities							
Instruction							
Regular	\$ 1,981,689	\$ 2,172,846	\$ 2,423,580	\$ 2,614,650	\$ 2,863,732	\$ 2,971,546	\$ 2,685,878
Special education	39,194	41,801	40,062	--	--	--	--
Other instruction	318	320	320	23,503	30,668	59,775	59,986
Support Services:							
Student & instruction related services	11,316	25,044	27,925	87,640	72,543	88,880	100,400
School administrative services	4,834	5,313	2,108	--	--	--	--
General administrative services	304,175	373,889	424,787	558,425	680,588	647,099	1,047,591
Plant operations and maintenance	369,555	400,927	747,166	445,182	624,803	611,299	483,691
Pupil transportation	14,236	17,414	12,910	18,387	20,879	25,854	13,594
Interest on long-term debt	274,089	289,449	252,357	228,185	468,286	60,394	352,690
Sinking Fund	--	--	--	--	238,140	394,915	--
Unallocated depreciation	26,429	185,823	193,889	200,432	240,594	297,848	474,303
Total governmental activities expenses	<u>3,025,816</u>	<u>3,492,826</u>	<u>4,125,104</u>	<u>4,175,414</u>	<u>5,050,233</u>	<u>5,157,208</u>	<u>5,218,134</u>
Business-type activities:							
Food service	62,085	54,489	85,955	89,850	101,230	114,095	127,178
After-School program	25,289	27,491	29,010	24,042	49,178	50,808	46,316
Total business-type activities expense	<u>87,354</u>	<u>81,980</u>	<u>114,965</u>	<u>113,892</u>	<u>150,408</u>	<u>164,703</u>	<u>173,494</u>
Total district expenses	<u>\$ 3,113,170</u>	<u>\$ 3,574,806</u>	<u>\$ 4,240,069</u>	<u>\$ 4,289,306</u>	<u>\$ 5,200,641</u>	<u>\$ 5,321,911</u>	<u>\$ 5,391,628</u>
Program Revenues							
Governmental activities:							
Operating grants and contributions	\$ 398,477	\$ 194,942	\$ 197,958	\$ 313,934	\$ 249,844	\$ 378,230	\$ 488,230
Capital grants and contributions	--	--	--	--	769,832	680,029	--
Total governmental activities program revenues	<u>398,477</u>	<u>194,942</u>	<u>197,958</u>	<u>313,934</u>	<u>1,019,676</u>	<u>1,068,259</u>	<u>488,230</u>
Business-type activities:							
Charges for services							
Food service	43,163	38,177	51,390	58,580	73,512	90,780	109,891
After School program	34,501	14,486	29,681	38,651	49,130	49,222	47,905
Operating grants and contributions	8,041	8,865	9,603	8,720	10,388	10,896	9,028
Total business-type activities program revenues	<u>85,705</u>	<u>61,528</u>	<u>90,674</u>	<u>107,931</u>	<u>133,040</u>	<u>150,898</u>	<u>166,822</u>
Total district program revenues	<u>\$ 484,182</u>	<u>\$ 256,470</u>	<u>\$ 288,632</u>	<u>\$ 421,865</u>	<u>\$ 1,152,716</u>	<u>\$ 1,219,157</u>	<u>\$ 655,052</u>
Net (Expense)/Revenue							
Governmental activities	\$ (2,627,339)	\$ (3,297,884)	\$ (3,927,146)	\$ (3,861,480)	\$ (4,030,557)	(4,088,949)	(4,731,904)
Business-type activities	(1,649)	(20,452)	(24,291)	(5,961)	(17,458)	(13,805)	(6,672)
Total district-wide net expense	<u>\$ (2,628,988)</u>	<u>\$ (3,318,336)</u>	<u>\$ (3,951,437)</u>	<u>\$ (3,867,441)</u>	<u>\$ (4,048,015)</u>	<u>\$ (4,102,754)</u>	<u>\$ (4,738,576)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes levied for general purposes, net	\$ 2,175,375	\$ 2,308,088	\$ 2,397,864	\$ 2,542,263	4,427,325	4,369,487	4,244,470
State share	954,547	1,226,002	1,619,154	1,841,611	434,848	149,697	230,994
Investment earnings	8,895	14,970	26,739	17,198	17,037	10,393	1,470
Miscellaneous income	6,053	28,614	13,753	12,588	50,283	14,714	19,216
Special item- cancellation of account payable	--	47,000	--	--	--	--	--
Transfers	--	(5,000)	(39,000)	(20,000)	(8,900)	--	--
Total governmental activities	<u>3,144,870</u>	<u>3,619,674</u>	<u>4,018,330</u>	<u>4,483,640</u>	<u>4,920,583</u>	<u>4,544,291</u>	<u>4,498,150</u>
Business-type activities:							
Transfers	--	5,000	39,000	20,000	8,900	--	--
Total business-type activities	<u>--</u>	<u>5,000</u>	<u>39,000</u>	<u>20,000</u>	<u>8,900</u>	<u>--</u>	<u>--</u>
Total district-wide	<u>\$ 3,144,870</u>	<u>\$ 3,624,674</u>	<u>\$ 4,057,330</u>	<u>\$ 4,513,640</u>	<u>\$ 4,929,483</u>	<u>\$ 4,544,291</u>	<u>\$ 4,498,150</u>
Change in Net Assets							
Governmental activities	\$ 517,531	\$ 321,790	\$ 91,184	\$ 632,160	\$ 880,036	455,342	(235,754)
Business-type activities	(1,649)	(15,452)	14,709	14,039	(8,558)	(13,805)	(6,672)
Total district	<u>\$ 515,882</u>	<u>\$ 306,338</u>	<u>\$ 105,893</u>	<u>\$ 646,199</u>	<u>\$ 881,478</u>	<u>\$ 441,537</u>	<u>\$ (242,426)</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

Princeton Charter School
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
Unaudited
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund							
Reserved	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 18,000	\$ 118,899	\$ 151,389
Unreserved	98,631	187,126	54,069	89,378	59,418	12,992	4,747
Total general fund	<u>\$ 121,631</u>	<u>\$ 212,126</u>	<u>\$ 79,069</u>	<u>\$ 114,378</u>	<u>\$ 77,418</u>	<u>\$ 131,891</u>	<u>\$ 156,136</u>
All Other Governmental Funds							
Capital projects fund	\$ (121,399)	\$ --	\$ --	\$ --	\$ 4,522,811	\$ 134,626	\$ --
Total all other governmental funds	<u>\$ (121,399)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,522,811</u>	<u>\$ 134,626</u>	<u>\$ --</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

Princeton Charter School
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
Unaudited
(modified accrual basis of accounting)

Exhibit J-4

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Revenues							
Tax levy	\$ 2,175,375	\$ 2,308,088	\$ 2,397,684	\$ 2,543,431	\$ 4,427,325	\$ 4,369,487	\$ 4,244,470
Interest earnings	8,895	14,970	26,739	17,198	17,037	10,393	1,470
Sinking fund	--	--	--	--	239,124	--	--
Donations	5,500	250	--	--	--	--	--
Miscellaneous	553	28,364	13,753	12,568	589,994	309,828	19,216
State sources	1,291,770	1,359,847	1,764,219	2,200,237	748,368	475,375	595,314
Federal sources	61,254	61,097	52,893	54,140	45,885	52,552	121,910
Total revenue	3,543,347	3,772,616	4,255,288	4,827,574	6,067,733	5,217,635	4,982,380
Expenditures							
Instruction							
Regular instruction	1,703,871	1,875,119	2,099,224	2,150,635	2,300,142	2,453,948	2,176,734
Special education instruction	39,194	41,801	40,062	--	--	--	--
Support Services:							
Student & inst. related services	--	--	--	44,773	30,997	45,718	56,397
General administration services	279,580	346,020	396,163	523,044	625,141	550,987	872,090
Plant operations and maintenance	355,766	385,798	731,889	432,869	603,720	575,829	453,840
Pupil transportation	9,180	12,358	7,854	11,331	15,823	20,598	10,515
Interest on long term debt	272,842	271,628	253,637	238,774	476,868	60,394	352,690
Unallocated benefits	289,832	318,169	345,470	512,125	572,027	692,631	756,398
Construction	--	--	--	--	--	3,335,100	136,096
Construction in progress	--	--	--	--	3,148,953	--	--
Capital outlay	894,106	351,829	475,046	858,714	492,175	438,193	282,748
Total expenditures	3,844,371	3,602,722	4,349,345	4,772,265	8,265,846	6,173,398	5,097,508
Excess (Deficiency) of revenues over (under) expenditures	(301,024)	169,894	(94,057)	55,309	(2,198,113)	(2,955,763)	(115,128)
Other Financing sources (uses)							
Special item- cancellation of Accounts payable	200,000	47,000	--	--	--	--	--
Bond proceeds	--	--	--	--	4,920,000	--	--
Transfers in	19,009	86,662	--	--	80,000	29,750	--
Transfers out	(19,009)	(91,662)	(39,000)	(20,000)	(88,900)	(29,750)	--
Total other financing sources (uses)	200,000	42,000	(39,000)	(20,000)	4,911,100	--	--
Net change in fund balances	\$ (101,024)	\$ 211,894	\$ (133,057)	\$ 35,309	\$ 2,712,987	\$ (2,955,763)	\$ (115,128)

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Princeton Charter School
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
Unaudited
(modified accrual basis of accounting)

Exhibit J-5

Fiscal Year Ending June 30,	<u>Local Levy- Charter School Aid</u>	<u>Interest on Investments</u>	<u>Miscellaneous</u>	<u>Annual Totals</u>
1999	\$ 998,678	\$ 9,888	\$ 109,340	\$ 1,117,906
2000	1,464,704	10,858	104,806	1,580,368
2001	1,249,642	17,493	73,252	1,340,387
2002	1,455,942	2,691	172,281	1,630,914
2003	1,694,507	2,784	72,898	1,770,189
2004	2,121,125	769	17,459	2,139,353
2005	2,175,375	8,895	6,053	2,190,323
2006	2,308,088	14,970	28,614	2,351,672
2007	2,397,684	26,739	13,753	2,438,176
2008	2,543,431	17,198	12,568	2,573,197
2009	4,427,325	17,037	50,283	4,494,645
2010	4,369,487	10,393	14,714	4,394,594
2011	4,244,470	--	19,216	4,263,686

Source: District records

**Princeton Charter School
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Loans Payable	Capital Leases	Capital Leases	Total School		
2005	\$ --	\$ 4,994,297	\$ --	\$ --	\$ 4,994,297	0.64%	\$ 291.67
2006	--	4,749,630	--	--	4,749,630	0.55%	275.79
2007	--	4,478,186	--	--	4,478,186	0.51%	258.04
2008	--	3,683,157	--	--	3,683,157	0.42%	210.59
2009	--	8,420,000	--	--	8,420,000	0.92%	482.85
2010	--	8,420,000	--	--	8,420,000	0.88%	483.80
2011	--	8,256,323	--	--	8,256,323	1.08%	560.74

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

**Princeton Charter School
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
1999	14,511	\$ 524,833,848	\$ 36,168	2.70%
2000	16,748	660,809,088	39,456	0.50%
2001	17,026	689,314,636	40,486	0.50%
2002	17,099	712,104,954	41,646	0.70%
2003	17,110	724,505,840	42,344	0.70%
2004	17,229	755,267,673	43,837	0.60%
2005	17,123	783,206,020	45,740	0.60%
2006	17,222	858,465,034	49,847	0.90%
2007	17,490	871,824,030	49,847	0.90%
2008	17,490	871,824,030	49,847	1.00%
2009	17,438	911,030,872	52,244	2.00%
2010	17,404	960,178,680	55,170	1.81%
2011	14,724	764,867,628	51,947	1.81%

Source:

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

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

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

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

**Princeton Charter School
Principal Employers,
Current Year and Nine Years Ago
Princeton Borough/Township**

Exhibit J-15

2011			
Employer	Employees	Rank [Optional]	Percentage of Total Municipal Employment
Princeton University	5,245	1	53.70%
University Medical Center at Princeton	2,500	2	25.60%
Princeton Regional Schools	657	3	6.73%
Church and Dwight	600	4	6.14%
Princeton Plasma Physics Lab	485	5	4.97%
Princeton Theological Seminary	280	6	2.86%
	<u>9,767</u>		<u>100.00%</u>

2002			
Employer	Employees	Rank [Optional]	Percentage of Total Municipal Employment
NOT AVAILABLE			

Source: County of Mercer, Department of Administration and Finance

**Princeton Charter School
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years
Unaudited**

Exhibit J-16

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction							
Regular	22	24	25	28	28	28	28
Other special education	2	4	4	3	4	4	4
Support Services:							
General administration and business services	2	2	2	2	3	3	3
School administrative services	2	2	2	2	2	3	3
Plant operations and maintenance	1	1	1	1	1	1	1
Total	<u>29</u>	<u>33</u>	<u>34</u>	<u>36</u>	<u>38</u>	<u>39</u>	<u>39</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year June 30, 2006.

Source: District Personnel Records

Princeton Charter School
 Operating Statistics,
 Last Ten Fiscal Years
 Unaudited

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2005	280	\$ 2,950,265	\$ 10,537	N/A	24.00	11:1	280	268	0.72%	95.71%
2006	286	3,250,893	11,367	7.88%	26.00	11:1	286	274	2.14%	95.80%
2007	289	3,874,299	13,406	17.94%	29.00	11:2	289	280	1.05%	96.69%
2008	293	3,913,551	13,357	-0.37%	31.00	11:2	293	283	1.36%	96.59%
2009	318	4,624,718	14,543	8.86%	31.00	11:2	318	305	8.53%	96.91%
2010	344	4,400,105	12,791	-12.05%	31.00	11:2	344	331	8.18%	96.22%
2011	344	4,678,664	13,601	6.33%	31.00	11:2	344	334	-0.03%	97.15%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year June 30, 2006.

Sources: District records

Note: Enrollment based on annual October district count.

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

**Princeton Charter School
School Building Information
Last Ten Fiscal Years
Unaudited**

Exhibit J-18

Charter School Buildings	2005	2006	2007	2008	2009	2010	2011
Multi-Purpose Campus Center							
Square Feet	N/A	N/A	N/A	N/A	N/A	17,000	17,000
Capacity (Students)	N/A	N/A	N/A	N/A	N/A	1,100	1,100
Enrollment	N/A						
K-4 School Building (2003)							
Square Feet	14,800	14,800	14,800	14,800	14,800	14,800	14,800
Capacity (students)	106	110	110	110	135	159	159
Enrollment	106	108	107	107	132	156	156
5-8 School Building (1963)							
Square Feet	16,800	16,800	16,800	16,800	16,800	16,800	16,800
Capacity (students)	174	180	186	186	188	188	188
Enrollment ^a	174	179	183	186	188	188	188
Business Office Building -Marsee Center (1879)							
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Number of Schools at June 30, 2010							
Elementary = 1							
Middle School = 1							

Source: District Facilities Office

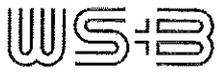
Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

**Princeton Charter School
Insurance Schedule (Unaudited)
June 30, 2011**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - N.J. School Boards Association Insurance Group:		
Property:		
Blanket building and contents	\$ 14,310,696	\$ 1,000
Blanket extra expense	50,000,000	1,000
Blanket valuable papers and records	10,000,000	1,000
EDP hardware/software	250,000	1,000
Flood - zones A & V	10,000,000	500,000
Flood - all other	50,000,000	10,000
EDP:		
Blanket hardware/software	250,000	1,000
Blanket extra expense	Included	--
Crime:		
Public employee dishonesty	250,000	500
Forgery or alteration	50,000	500
Inside & outside robbery	50,000	500
Computer fraud	250,000	500
Money orders & counterfeit papers	50,000	500
Loss of money & securities	50,000	500
Liability:		
Comprehensive general liability bodily injury & property damage	16,000,000	--
Bodily injury from products & completed operations annual aggregate	16,000,000	--
Sexual abuse	1,700,000	--
Premises medical payments	10,000	--
Personal injury & advertising injury	16,000,000	--
Employee benefits	16,000,000	1,000
Automobile:		
Comprehensive automobile liability	16,000,000	--
Uninsured motorists PP	1,000,000	--
Uninsured motorists - all other vehicles	15/30/5	--
Personal injury protection	250,000	--
Medical payments PP	10,000	--
Medical payments - all other vehicles	5,000	--
Terrorism	1,000,000	--
Physical damage scheduled vehicles only	ACV	1,000
Inland Marine:		
Blanket hardware/software	250,000	1,000
Errors and Omissions - N.J. School Boards Association Insurance Group	16,000,000	5,000
Boiler and Machinery - N.J. School Boards Association Insurance Group	100,000,000	1,000
Workers Compensation - N.J. School Boards Association Insurance Group		
	Bodily Injury by Accident	2,000,000 Each Acc.
	Bodily Injury by Disease	2,000,000 Each Employee
	Bodily Injury by Disease	2,000,000 Agg. Limit
Supplemental Workers Compensation -N.J. School Boards Association Insurance Group:		
Maximum weekly benefit	1,750	--
Student Accident Insurance		
Basic sports K-8	1,000,000	--
Catastrophic cash benefit	1,000,000	--
Bond		
	Diane Potorski	160,000
	Norma Byers	160,000
Group Catastrophe Access Program		
Limit each occurrence	50,000,000	--
Aggregate	50,000,000	--

SINGLE AUDIT SECTION



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

The Honorable Chairperson and Members
of the Board of Trustees
Princeton Charter School
Princeton, New Jersey

We have audited the financial statements of Princeton Charter School as of and for the year ended June 30, 2011, and have issued our report thereon dated October 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Princeton Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Princeton Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Princeton Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, and the members of the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

October 17, 2011
New Brunswick, NJ

WithumSmith+Brown, PC

James J. Decker
Licensed Public School Accountant #2502
Certified Public Accountant

**Princeton Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Award Amount	Balance at June 30, 2010	Cash Received	Budgetary Expenditures	Balance June 30, 2011 (Accounts Receivable)
			From	To					
U. S. Department of Education									
Passed-through State Department of Education									
NCLB Consolidated									
Title II Part A									
	84.010	NCLB-7540-11	9/1/2010	8/31/2011	\$ 4,486	\$ --	\$ 4,486	\$ (4,486)	\$ --
Special Education Cluster									
	84.027	IDEA-7540-11	9/1/2010	8/31/2011	46,475	--	45,243	(46,475)	(1,232)
ARRA									
	84.391	ARRA-IDEA-7540-10	9/1/2009	8/31/2011	65,949	--	64,612	(65,949)	(1,337)
Total U.S. Department of Education									
						\$ --	\$ 114,341	\$ (116,910)	\$ (2,569)
U. S. Department of Agriculture									
Passed-through State Department of Education									
Enterprise Fund:									
	10.555	N/A	7/1/2009	6/30/2010	\$ 7,976	\$ --	\$ 7,976	\$ (7,976)	\$ --
	10.555	N/A	7/1/2009	6/30/2010	9,077	(1,101)	1,101	--	--
Total U.S. Department of Agriculture									
						\$ (1,101)	\$ 9,077	\$ (7,976)	\$ --
Total Federal Awards Assistance									
						\$ (1,101)	\$ 123,418	\$ (124,886)	\$ (2,569)

**Princeton Charter School
Schedule of Expenditures of State Awards
Year Ended June 30, 2011**

		Schedule B									
State/Grantor Program Title	Grant of State Project Number	Grant Period	Award Amount	Balance June 30, 2010		Cash Received	Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
				Deferred Revenue	(Accounts Receivable)						
State Department of Education:											
General Fund:											
Charter School Adjustment Aid	(A)	7/1/10-6/30/11	\$ 207,146	\$ --	\$ --	\$ 166,200	\$ (207,146)	\$ (40,946)	\$ --	\$ --	\$ 207,146
Non-Public Aid	(A)	7/1/10-6/30/11	23,848	--	--	23,848	(23,848)	--	--	--	23,848
TPAF Social Security Aid (Reimbursed)	10-495-034-5095-003	7/1/10-6/30/11	183,328	--	--	175,507	(183,328)	(7,821)	--	--	(183,328)
Enterprise Fund:											
State Lunch Program	09-100-010-3350-023	7/1/10-6/30/11	1,050	--	--	1,050	(1,050)	--	--	--	1,050
State Lunch Program	08-100-010-3350-023	7/1/09-6/30/10	932	--	(84)	84	--	--	--	--	--
Total State Awards				\$ --	\$ (84)	\$ 366,689	\$ (415,372)	\$ (48,767)	\$ --	\$ --	\$ 48,716

(A)- Consists of State Charter School Adjustment Aid and Non-Public Aid

Princeton Charter School
Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2011

1. General

The accompanying schedules of expenditures of federal and state awards include federal and state award activities of the Board of Trustees, of Princeton Charter School. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 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 revenue, whereas the GAAP basis does not. There were no differences between this budgeting basis and GAAP for this current fiscal year.

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ --	\$ 414,322	\$ 414,322
Special Revenue Fund	116,910	--	116,910
Enterprise Fund	<u>7,976</u>	<u>1,050</u>	<u>9,026</u>
Total Financial Assistance/Awards	<u>\$ 124,886</u>	<u>\$ 415,372</u>	<u>\$ 540,258</u>

**Princeton Charter School
Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2011**

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.

5. Federal and State Loans Outstanding

The Princeton Charter School has the following loan balance outstanding at June 30, 2011:

Loan Program Title	Amount Outstanding
EDA Loan	\$ 8,256,323

6. Other

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the years ended June 30, 2011.

**Princeton Charter School
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Summary of Auditors' Results

- An unqualified report was issued on the School's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the School.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the School.
- The School was not subject to the single audit provisions of Federal OMB Circular A-133 and NJOMB 04-04 for the fiscal year ended June 30, 2011 as federal and state grant expenditures were less than the single audit threshold of \$500,000 identified in the circular.

Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted *Government Auditing Standards*

- The audit did not disclose any findings required to be reported under Generally Accepted *Government Auditing Standards*.

Findings and Questioned Costs for Federal Awards

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards

- Not applicable since state expenditures were below the single audit threshold.

**Princeton Charter School
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

Status of Prior Year Findings

There were no prior year findings.