

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
RED BANK CHARTER SCHOOL

**58 Oakland Street
Red Bank, New Jersey 07701**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Prepared by
Business Office**

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INTRODUCTORY SECTION

September 27, 2011

Board of Trustees
Red Bank Charter School
County of Monmouth, New Jersey

Dear Board of Trustees:

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

The Comprehensive Annual Financial Report is presented in four (4) sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the organizational chart and a list of the Board of Trustee members. The financial section includes the basic financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial information, presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, including the Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** The Red Bank Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds of the Charter School are included in this report. The Charter School constitutes the reporting entity. The Charter School provides a full range of educational services appropriate to grade levels K through 8. These included regular, special education and an after-school program. Enrollment remained stable throughout 2010-11 with an average daily enrollment of 176 students.

2. **MAJOR INITIATIVES:** Following are the major initiatives successfully implemented at The Red Bank Charter School for the 2010-2011 school year:
 - Per the 5-year Facilities Improvement Plan:
 - Project 1 – the kitchen is completed
 - Project 2 - roof replacement has been budgeted and construction is underway
 - Worked closely with our two fundraising groups, the Charter Community Organization and the RBCS Foundation, to set priorities and adjust the priorities during the year as issues arose.
 - CCO – outfitted the kitchen, expanded technology resources
 - RBCS Foundation – contributed to capital projects
 - Developed and adopted a contract for the Charter School Administrator.
 - Completed the Performance-Based Compensation Model for the teaching staff.
 - Completed e-Rate Funding requirements. Funding is anticipated for 2011-12.
 - Endorsed establishing Ad-Hoc Committees to support school operations: Communications, Evaluation and Compensation, Technology and Nutrition.
 - Recruited two new members who will join the Board of Trustees in 2011-12. This is the first time in a number of years that all nine Board seats are filled.

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

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that an adequate internal control structure is in place for compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by the Charter School administration.

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

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are required for the General Fund and the Special Revenue Fund. The final budget amount as amended for the fiscal year is presented in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. There were no amounts to be reappropriated at June 30, 2011.

5. **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds each of which maintains a self-balancing set of accounts. These funds are explained in the "Notes to the Basic Financial Statements".

6. **DEBT ADMINISTRATION:** At June 30, 2011 the Charter School had an outstanding mortgage balance of \$2,929,365.

7. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements". The Charter School has an investment policy that 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.

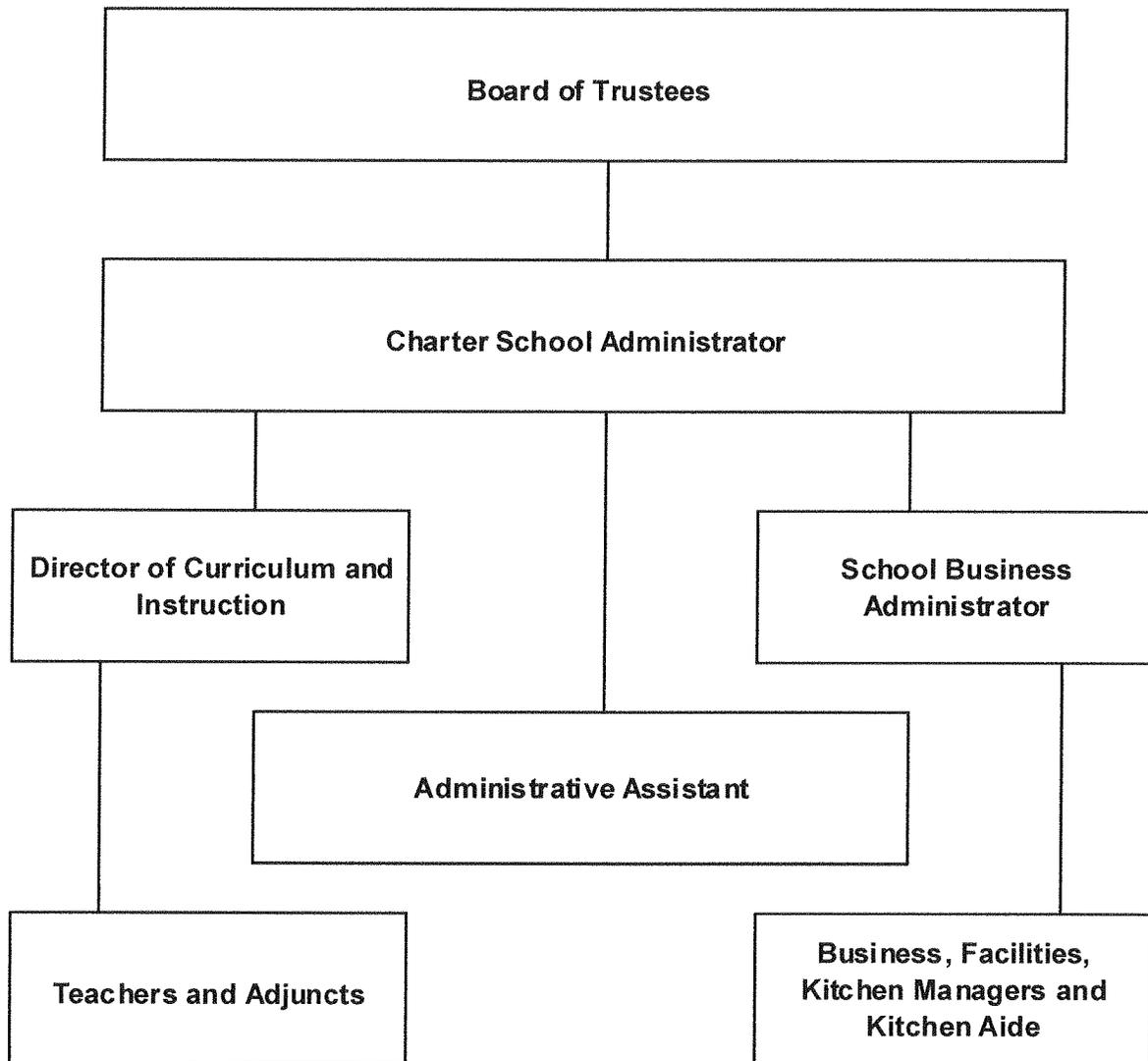
8. **RISK MANAGEMENT:** The Charter School carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, student accident insurance and fidelity bonds.
9. **INDEPENDENT AUDIT:** State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of DAK CPA was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.
10. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the Board of Trustees of the Red Bank Charter School for their concern in providing fiscal accountability of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

Richard J. Gartz, CPA
Business Administrator

Meredith S. Pennotti
Charter School Administrator

RED BANK CHARTER SCHOOL
ORGANIZATIONAL STRUCTURE



RED BANK CHARTER SCHOOL
ROSTER OF OFFICIALS
JUNE 30, 2011

<u>Members of the Board of Trustees</u>	<u>Term Expires</u>
Bruce Whitaker, President.....	June 30, 2011
Nancy Bunn, Vice President.....	June 30, 2013
Audrey Oldoerp.....	June 30, 2013
Roger Foss	June 30, 2011
Michelle Welsh.....	June 30, 2011
Darryl Hughes	June 30, 2013
Kevin Kelleher.....	June 30, 2012
Marilyn McNeil	June 30, 2012

Other Officials

- Meredith S. Pennotti, Chief School Administrator
- Richard J. Gartz, CPA, Business Administrator
- Theresa Shirley, Board Secretary/Business Manager
- Douglas J. Kovats, Esq., Board Attorney

RED BANK CHARTER SCHOOL
CONSULTANTS AND ADVISORS
JUNE 30, 2011

AUDIT FIRM

DAK CPA
Certified Public Accountants
512 Marvin Drive
Long Branch, NJ

ATTORNEY

Douglas J. Kovats, Esq.
130 Maple Avenue, Building 8
P.O. Box 8610
Red Bank, New Jersey 07701

OFFICIAL DEPOSITORIES

TD Bank
Front Street
Red Bank, New Jersey 07701

Bank of America
Broad Street
Red Bank, NJ 07701

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
The Red Bank Charter School
Red Bank, 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 Red Bank Charter School, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of The Red Bank 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011 on our consideration of The Red Bank 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 17 and 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Red Bank Charter School's basic financial statements. The introductory section, combining fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance 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 the relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants



David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
September 27, 2011

REQUIRED SUPPLEMENTARY INFORMATION – PART I

THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The discussion and analysis of Red Bank Charter Schools' financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Financial Highlights

Key financial highlights for 2010-2011 are as follows:

In total, net assets totaled \$1,139,550 which represents a 7.6% change from 2010.

General revenues accounted for \$2,635,590 in revenue or 93.1% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$196,500 or 6.9% of total revenues of \$2,832,090.

The total assets of governmental activities decreased by \$64,345 as cash and cash equivalents increased by \$20,193, receivables and prepaid expenses increased by \$56,504 and capital assets decreased by \$141,042.

The Charter School had \$2,751,267 in expenses; only \$196,502 of these expenses was offset by program specific charges for services, grants and contributions.

Among major funds, the General Fund had \$2,630,640 in revenues and \$2,516,837 in expenditures. The General Fund's fund balance increased by \$113,803 from 2010. The General Fund's fund balance is \$167,493.

Using this Comprehensive Annual Financial Report (CAFR)

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Red Bank Charter School Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Charter School, presenting both an aggregate view of the Charter School's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds. In the case of Red Bank Charter Schools, the General Fund is by far the most significant.

THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

This document contains all funds used by the Charter School to provide programs and activities, viewing the Charter School as a whole and reports the culmination of all financial transactions. The report answers the question, "How We Did Financially During Fiscal Year 2011?" The Statement of Net Assets and the Statement of Activities provides the summary. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because they report on whether the Charter School's financial position has improved or diminished.

In the Statement of Net Assets and the Statement of Activities, the Charter School is divided into two kinds of activities:

Governmental activities — All of the Charter School's programs and services are reported here including, instruction and support services.

Business-Type Activities — This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statement

The Analysis of the Charter School's major funds begins is located in the Required Supplementary Information – Part II section. Fund financial reports provide detailed information about the Charter School's major funds. The Charter School's major governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

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

THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities. The reporting of this fund did not change with the conversion to GASB 34.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements.

The Charter School as a Whole

The Statement of Net Assets provides the financial perspective of the Charter School as a whole.

Table 1 provides a summary of the Charter School's net assets for 2011 in comparison to 2010.

Table 1
Statement of Net Assets
As of June 30, 2011 and 2010

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and Other Assets	\$ 221,541	\$ 144,664	\$ 21,685	\$ 15,696	\$ 243,226	\$ 160,360
Capital Assets, Net	<u>3,897,753</u>	<u>4,038,795</u>	<u> </u>	<u> </u>	<u>3,897,753</u>	<u>4,038,795</u>
Total Assets	<u>\$ 4,119,294</u>	<u>\$ 4,183,459</u>	<u>\$ 21,685</u>	<u>\$ 15,696</u>	<u>\$ 4,140,979</u>	<u>\$ 4,199,155</u>
Liabilities						
Other Liabilities	\$ 54,048	\$ 90,974	\$ 3,016	\$ 3,066	\$ 57,064	\$ 94,040
Long-Term Liabilities	<u>2,944,365</u>	<u>3,046,388</u>	<u> </u>	<u> </u>	<u>2,944,365</u>	<u>3,046,388</u>
Total Liabilities	<u>\$ 2,998,413</u>	<u>\$ 3,137,362</u>	<u>\$ 3,016</u>	<u>\$ 3,066</u>	<u>\$ 3,001,429</u>	<u>\$ 3,140,428</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 968,388	\$ 1,018,407			\$ 968,388	\$ 1,018,407
Unrestricted	<u>152,493</u>	<u>27,690</u>	<u>18,669</u>	<u>12,630</u>	<u>171,162</u>	<u>40,320</u>
Total Net Assets	<u>\$ 1,120,881</u>	<u>\$ 1,046,097</u>	<u>\$ 18,669</u>	<u>\$ 12,630</u>	<u>\$ 1,139,550</u>	<u>\$ 1,058,727</u>

The Charter School's combined net assets were \$1,139,550 on June 30, 2011. This represents an increase of 7.6% from the previous year.

**THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Table 2 shows the comparative changes in net assets from fiscal year 2011 to 2010 and the associated variances.

**Table 2
Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services			\$ 13,415	\$ 13,239	\$ 13,415	\$ 13,239
Grants and Contributions	\$ 144,251	\$ 128,111	38,834	36,840	183,085	164,951
General Revenues:						
Local Tax Levies	1,400,343	1,419,080			1,400,343	1,419,080
Grants and Entitlements	<u>1,235,247</u>	<u>1,188,321</u>			<u>1,235,247</u>	<u>1,188,321</u>
Total Revenues	<u>\$ 2,779,841</u>	<u>\$ 2,735,512</u>	<u>\$ 52,249</u>	<u>\$ 50,079</u>	<u>\$ 2,832,090</u>	<u>\$ 2,785,591</u>
Program Expense:						
Instruction	\$ 1,637,523	\$ 1,659,139			\$ 1,637,523	\$ 1,659,139
Support Services:						
School Administrative Services	584,741	560,782			584,741	560,782
General and Business Administration Services	482,793	519,319			482,793	519,319
Enterprise Activities			<u>\$ 46,210</u>	<u>\$ 45,664</u>	<u>46,210</u>	<u>45,664</u>
Total Expense	<u>\$ 2,705,057</u>	<u>\$ 2,739,240</u>	<u>\$ 46,210</u>	<u>\$ 45,664</u>	<u>\$ 2,751,267</u>	<u>\$ 2,784,904</u>
Increase in Net Assets	\$ 74,784	\$ (3,728)	\$ 6,039	\$ 4,415	\$ 80,823	\$ 687
Beginning Net Assets	<u>\$ 1,046,097</u>	<u>\$ 1,049,825</u>	<u>\$ 12,630</u>	<u>\$ 8,215</u>	<u>\$ 1,058,727</u>	<u>\$ 1,058,040</u>
Ending Net Assets	<u>\$ 1,120,881</u>	<u>\$ 1,046,097</u>	<u>\$ 18,669</u>	<u>\$ 12,630</u>	<u>\$ 1,139,550</u>	<u>\$ 1,058,727</u>

Governmental Activities

Local tax levies made up 49.4% of total revenues for the fiscal year 2011. Federal, state and local aid/grants and miscellaneous revenues accounted for another 50.6%.

The total cost of all governmental programs and services was \$2,705,057. Instruction accounted for 60.54% of total governmental expenditures.

THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)

Business-Type Activities

Revenues for the Charter School's business-type activities were comprised of charges for services and federal and state reimbursements.

Food service revenues exceeded expenses by \$6,039. Charges for services which are the amount paid by students and other patrons for daily food service represent 25.7% of total revenues.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the comparative total cost of services and the net cost of services for fiscal year 2011 and 2010, respectively.

Table 3
Total and Net Cost of Services
For the Fiscal Years Ended June 30, 2011 and 2010

	Total Cost of Services			Net Cost of Services		
	<u>2011</u>	<u>2010</u>	<u>% Change</u>	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Instruction	\$ 1,637,523	\$ 1,659,139	-1.30%	\$ 1,542,446	\$ 1,654,936	-6.80%
Support Services:						
School Administration	584,741	560,782	4.27%	535,567	535,290	0.05%
General and Business Administration	<u>482,793</u>	<u>519,319</u>	<u>-7.03%</u>	<u>482,793</u>	<u>494,714</u>	<u>-2.41%</u>
 Total Expenses	 <u>\$ 2,705,057</u>	 <u>\$ 2,739,240</u>	 <u>-1.25%</u>	 <u>\$ 2,560,806</u>	 <u>\$ 2,684,940</u>	 <u>-4.62%</u>

Instruction expenses include activities directly associated with the teaching of pupils and the interactions between teacher and student.

General administration, school administration and business include expenses associated with administrative and financial supervision of the Charter School.

The Charter School's Funds

Information about the Charter School's major funds is located in the Required Supplementary Information – Part II section. The modified accrual basis of accounting is used to account for these funds. All governmental funds had total revenue of \$2,779,841 and total expenditures of \$2,666,038. The net increase in fund balance for the year was \$113,803.

THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)

As demonstrated by the various statements and schedules included in the financial section of this report, the School Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2011 and 2010, and the amount and percentage of increase and decreases in relation to prior year revenues.

Revenue	Years Ended		Amount of Increase/ (Decrease)	Percent Increase/ (Decrease)
	2011	2010		
Local Sources	\$ 1,463,499	\$ 1,489,723	(26,224)	-1.76%
State Sources	1,204,502	1,178,053	26,449	2.25%
Federal Sources	111,840	67,736	44,104	65.11%
Total	\$ 2,779,841	\$ 2,735,512	44,329	1.62%

Local source revenues decreased by \$26,224 due to the local tax levy revenue decreasing by \$18,737 and miscellaneous and local revenues decreasing by \$7,487.

Federal source revenue increased by \$44,104 which is attributable to grants.

State source revenue increased by \$26,449 which is primarily due to State Aid – Public increases in revenue from fiscal year 2010 to fiscal year 2011.

THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)

The following schedule presents a summary of governmental fund expenditures for the fiscal years ended June 30, 2011 and 2010:

Expenditures	Years Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2011	2010		
Current Expense:				
Instruction	\$ 1,257,771	\$ 1,275,553	\$ (17,782)	\$ -1.39%
Undistributed Expenditures	1,312,294	1,328,460	(16,166)	-1.22%
Capital Outlay	95,973	98,702	(2,729)	-2.76%
Total	\$ 2,666,038	\$ 2,702,715	\$ (36,677)	\$ -1.36%

General Fund Budgeting Highlights

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

During the course of the fiscal year 2011, the Charter School amended its General Fund budget as needed. The Charter School uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. The School Business Administrator, Principal, and Board of Trustees must approve transfers from one program to another. Transfers were required due to:

- Staffing changes based on student needs.
- Changes in appropriations to prevent budget overruns, as well as to effect account coding corrections.

While the Charter School's final budget for the General Fund anticipated that revenues and expenditures would roughly equal, the actual results for the year shows an increase in surplus of \$113,803.

THE RED BANK CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)

Capital Assets

At the end of the fiscal years 2011 and 2010, the Charter School had \$4,038,795 and \$4,175,135 invested in land, buildings, machinery and equipment and vehicles. Table 4 shows fiscal 2011 balances compared to 2010.

Table 4
Capital Assets
as of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Land	\$ 500,000	\$ 500,000
Buildings and Improvements	4,081,950	4,079,750
Machinery and Equipment	<u>184,590</u>	<u>181,840</u>
	\$ 4,766,540	\$ 4,761,590
Less: Accumulated Depreciations	<u>868,787</u>	<u>722,795</u>
Total Net Assets	<u>\$ 3,897,753</u>	<u>\$ 4,038,795</u>

Overall capital assets decreased by \$141,042 from fiscal year 2010 to fiscal year 2011.

For the Future

The Red Bank Charter School's financial position during the past three (3) years has seen an increase in fund balance of \$159,748. It is the intention of the School, with the assistance of all its contributors and volunteers, to move ahead in fiscal year 2012 and thereafter, to securing financial assistance from the community and benefactors which will assist the School with funding of programs. The Charter School's priority is to increase fund balance to a sufficient level in order to meet the ever changing needs of its students.

The Charter School's major focus for the fiscal year 2012 is to continue to develop relationships with the community of Red Bank and surrounding areas for support of their efforts in providing a comprehensive education for all their students.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, you may contact Richard J. Gartz, CPA, Business Administrator at Red Bank Charter School, 58 Oakland Street, Red Bank, New Jersey 07701.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 130,963	\$ 14,514	\$ 145,477
Receivables - Net	95,501	2,248	97,749
Internal Balances	(4,923)	4,923	
Capital Assets, Net:			
Not Being Depreciated	500,000		500,000
Being Depreciated	<u>3,397,753</u>	<u> </u>	<u>3,397,753</u>
Total Assets	<u>\$ 4,119,294</u>	<u>\$ 21,685</u>	<u>\$ 4,140,979</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,777	\$ 3,016	\$ 4,793
Payables to Other Governments	15,973		15,973
Deferred Revenue	36,298		36,298
Noncurrent Liabilities:			
Due Within One Year	95,184		95,184
Due Beyond One Year	<u>2,849,181</u>	<u> </u>	<u>2,849,181</u>
Total Liabilities	<u>\$ 2,998,413</u>	<u>\$ 3,016</u>	<u>\$ 3,001,429</u>
<u>NET ASSETS</u>			
Invested in Capital Assets - Net of Related Debt	\$ 968,388		\$ 968,388
Unrestricted	<u>152,493</u>	<u>\$ 18,669</u>	<u>\$ 171,162</u>
Total Net Assets	<u>\$ 1,120,881</u>	<u>\$ 18,669</u>	<u>\$ 1,139,550</u>

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

**RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 1,637,523		95,077	(1,542,446)		\$ (1,542,446)
Support Services:						
School Administrative Services	584,741		49,174	(535,567)		(535,567)
General and Business Administrative Services	482,793			(482,793)		(482,793)
Total Governmental Activities	\$ 2,705,057	-	\$ 144,251	\$ (2,560,806)	-	\$ (2,560,806)
Business-Type Activities:						
Food Service	46,210	13,415	38,834		6,039	6,039
Total Business - Type Activities	\$ 46,210	\$ 13,415	\$ 38,834	-	\$ 6,039	\$ 6,039
Total Primary Government	\$ 2,751,267	\$ 13,415	\$ 183,085	\$ (2,560,806)	\$ 6,039	\$ (2,554,767)
General Revenues						
Taxes:						
General Purposes				1,400,343		1,400,343
State Aid Not Restricted				1,204,502		1,204,502
Investment Earnings				479		479
Miscellaneous Income				30,266		30,266
Change in Net Assets				2,635,590	-	2,635,590
Net Assets - Beginning				74,784	6,039	80,823
Net Assets - Ending				1,046,097	12,630	1,058,727
				1,120,881	18,669	1,139,550

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 169,470		\$ 169,470
Receivables from Other Governments	<u>20,174</u>	\$ <u>75,327</u>	<u>95,501</u>
Total Assets	<u>\$ 189,644</u>	<u>\$ 75,327</u>	<u>\$ 264,971</u>
<u>LIABILITIES</u>			
Cash Overdraft		\$ 38,507	\$ 38,507
Accounts Payable	\$ 1,255	522	1,777
Due to Other Funds	4,923		4,923
Due to Other Governments	15,973		15,973
Deferred Revenue		<u>36,298</u>	<u>36,298</u>
Total Liabilities	<u>\$ 22,151</u>	<u>\$ 75,327</u>	<u>\$ 97,478</u>
<u>FUND BALANCES</u>			
Unassigned Fund Balance	<u>\$ 167,493</u>		<u>\$ 167,493</u>
Total Fund Balances	<u>\$ 167,493</u>	<u>-</u>	<u>\$ 167,493</u>
Total Liabilities and Fund Balance	<u>\$ 189,644</u>	<u>\$ 75,327</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The costs of the assets is \$4,766,541 and the accumulated depreciation is \$868,788

3,897,753

Long-term liabilities, including mortgage payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds

Compensated Absences Payable	\$ (15,000)	
Mortgages Payable	<u>(2,929,365)</u>	<u>(2,944,365)</u>
Net assets of governmental activities		<u>\$ 1,120,881</u>

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

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Local Sources:			
Local Tax Levies	\$ 1,400,343		\$ 1,400,343
Miscellaneous	25,795		25,795
Private Sources		\$ 37,361	37,361
	<u> </u>	<u> </u>	<u> </u>
Total Local Sources	\$ 1,426,138	\$ 37,361	\$ 1,463,499
State Sources	1,204,502		1,204,502
Federal Sources		111,840	111,840
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 2,630,640	\$ 149,201	\$ 2,779,841
<u>Expenditures</u>			
Current:			
Current expense:			
Instruction	\$ 1,162,694	\$ 95,077	\$ 1,257,771
Undistributed expenditures	1,263,120	49,174	1,312,294
Capital outlay	91,023	4,950	95,973
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 2,516,837	\$ 149,201	\$ 2,666,038
Excess of Revenues Over Expenditures	\$ 113,803	-	\$ 113,803
Net Change in Fund Balances	\$ 113,803	-	\$ 113,803
Fund Balance July 1	<u>53,690</u>		<u>53,690</u>
Fund Balance June 30	<u>\$ 167,493</u>	<u>-</u>	<u>\$ 167,493</u>

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

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	113,803
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Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:

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

Depreciation Expense	\$	(145,992)
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Capital Outlays, net of mortgage principal payments reported below of \$91,023		4,950
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		(141,042)
--	--	-----------

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

		91,023
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Decrease in unfunded Accrued Liability for State Aid Payable		11,000
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Change in Net Assets of Governmental Activities	\$	74,784
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement

PROPRIETARY FUNDS

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities Enterprise Funds	
	Food Service (Major Program)	Totals
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 14,514	\$ 14,514
Accounts Receivable:		
State Sources	44	44
Federal Sources	2,204	2,204
Due From Other Funds	4,923	4,923
Total Current Assets	\$ 21,685	\$ 21,685
Total Assets	\$ 21,685	\$ 21,685
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 3,016	\$ 3,016
Total Liabilities	\$ 3,016	\$ 3,016
<u>NET ASSETS</u>		
Unrestricted	\$ 18,669	\$ 18,669
Total Net Assets	\$ 18,669	\$ 18,669

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

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds	
	<u>Food Service (Major Program)</u>	<u>Total Enterprise</u>
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 10,435	\$ 10,435
Daily Sales - Nonreimbursable Programs	<u>2,980</u>	<u>2,980</u>
Total Operating Revenues	\$ <u>13,415</u>	\$ <u>13,415</u>
Operating Expenses:		
Cost of Sales	\$ 41,171	\$ 41,171
Other Purchased Services	706	706
Supplies and Materials	3,669	3,669
Other	<u>664</u>	<u>664</u>
Total Operating Expenses	\$ <u>46,210</u>	\$ <u>46,210</u>
Operating Loss	\$ <u>(32,795)</u>	\$ <u>(32,795)</u>
Nonoperating Revenues:		
State Sources:		
State School Lunch Program	\$ 723	\$ 723
Federal Sources:		
National School Lunch Program	33,333	33,333
National School Breakfast program	<u>4,778</u>	<u>4,778</u>
Total Nonoperating Revenues	\$ <u>38,834</u>	\$ <u>38,834</u>
Change in Net Assets	\$ 6,039	\$ 6,039
Total Net Assets - Beginning	<u>12,630</u>	<u>12,630</u>
Total Net Assets - Ending	\$ <u><u>18,669</u></u>	\$ <u><u>18,669</u></u>

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

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds	
	<u>Food Service</u> (Major Program)	<u>Total Enterprise</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 13,415	\$ 13,415
Payments to Suppliers	(46,260)	(46,260)
Net Cash Used for Operating Activities	\$ (32,845)	\$ (32,845)
<u>Cash Flows from Noncapital Financing Activities</u>		
State Sources	\$ 794	\$ 794
Federal Sources	38,452	38,452
Net Cash Provided by Noncapital Financing Activities	\$ 39,246	\$ 39,246
Net Increase in Cash and Cash Equivalents	\$ 6,401	\$ 6,401
Balances - Beginning of Year	8,113	8,113
Balances - End of Year	\$ 14,514	\$ 14,514
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</u>		
Operating Loss	\$ (32,795)	\$ (32,795)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Change in Assets and Liabilities:		
(Decrease) in Accounts Payable	\$ (50)	\$ (50)
Total Adjustments	\$ (50)	\$ (50)
Net Cash Used for Operating Activities	\$ (32,845)	\$ (32,845)

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

FIDUCIARY FUNDS

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

		<u>Agency Fund</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	<u>85,913</u>
Total Assets	\$	<u><u>85,913</u></u>
<u>LIABILITIES</u>		
Payable to Student Groups	\$	7,387
Payroll Deductions and Unemployment Reserve		<u>78,526</u>
Total Liabilities	\$	<u><u>85,913</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Red Bank Charter School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board of Trustees (the "Board") consists of appointed officials and is responsible for the fiscal control of the Charter School. An Educational Director is appointed by the Board and is responsible for the administrative control of the Charter School.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. District-Wide Statements

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

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation (Continued)

1. District-Wide Financial Statements (Continued)

The statement of net assets presents the financial condition of the governmental activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

2. Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

1. Governmental Funds

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

General Fund – The General Fund is the general operating fund of the Charter School. It is used to account for and report all financial resources not accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment that are classified in the Capital Outlay subfund.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district 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 and report the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

2. Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Charter School:

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

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

2. Proprietary Fund Type (Continued)

The Charter School's Enterprise Fund is comprised of the Food Service Fund.

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

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. There are no fixed assets within the proprietary funds.

3. Fiduciary Funds

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

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

C. Measurement Focus

1. District-Wide Financial Statements

The District-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Charter School are included on the Statement on Net Assets.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus (Continued)

2. Fund Financial Statements

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Charter School receives a portion of the local tax levy and state aid from the local school district based upon the number of enrolled students. The State Department of Education in conjunction with the local school district revises the amounts to be received by the Charter School three times a year based upon the enrollment counts on June 1, October 15, and the last day of the school year. The local tax levy and state aid are susceptible to accrual. The Charter School records the entire anticipated local tax levy to be received at the start of the fiscal year based upon the June 1 enrollment count and certification from the New Jersey State Department of Education, since the revenue is both measurable and available. The Charter School is entitled to receive moneys under the established payment schedule, which is revised after each enrollment count date, and the unpaid amount is considered to be an "accounts receivable". At June 30, 2011, the Charter School had accounts receivable of \$15,793 that represented amounts that had not been received based upon the current year final enrollment count.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal 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 accounting principles generally accepted in the United States of America (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets/Budgetary Control (continued)

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

F. Encumbrances

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

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.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash, Cash Equivalents and Investments

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

New Jersey school districts are limited as to the types 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 Charter 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"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

H. Inventories and Prepaid Expenses

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

I. Short-Term Interfund Receivables/Payables

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

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Charter School maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 40 years
Furniture and Equipment	5 - 10 years
Vehicles	3 - 5 years

K. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of compensated absences and mortgage payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

M. Net Assets

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

N. Deferred Revenue

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

O. Fund Equity

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

P. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State require management to make estimates and assumptions that affect reported amounts of revenues and expenditures/expenses during the reporting period.. Actual results could differ from those estimates.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

3. DEPOSITS AND INVESTMENTS

Deposits

The Charter School's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At June 30, 2011, the book value of the Board's deposits was \$244,093 and bank balances of the Charter School's cash and deposits amounted to \$251,174. Of the bank balances \$251,174 was covered by FDIC. The Charter School's deposits which are displayed on the combined balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>251,174</u>
	\$ <u><u>251,174</u></u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2011 the Board's bank balance of \$251,174 was not exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2011, the Charter School had no investments.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

4. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2011</u>
Not being depreciated:			
Sites (Land)	\$ 500,000		\$ 500,000
Being depreciated:			
Building and Improvements	4,079,750	\$ 2,200	4,081,950
Machinery and Equipment	<u>181,840</u>	<u>2,750</u>	<u>184,590</u>
	\$ 4,761,590	\$ 4,950	\$ 4,766,540
Less: Accumulated Depreciation	<u>(722,795)</u>	<u>(145,992)</u>	<u>(868,787)</u>
Net Assets	<u>\$ 4,038,795</u>	<u>\$ (141,042)</u>	<u>\$ 3,897,753</u>

The proprietary fund type had no fixed assets at June 30, 2011. Depreciation expense for governmental activities held assets was \$145,992 for 2011, and was charged in the Statement of Activities as follows: Instruction \$88,377, School Administrative Services \$31,558 and Business Administrative Services \$ 26,057.

5. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>One year</u>
Compensated Absences Payable	\$ 15,000	\$ -	\$ 15,000	\$ -
Mortgages Payable	3,020,388	(91,023)	2,929,365	95,184
State Aid Payable	<u>11,000</u>	<u>(11,000)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,046,388</u>	<u>\$ (102,023)</u>	<u>\$ 2,944,365</u>	<u>\$ 95,184</u>

A. Mortgages Payable

On January 29, 2004 the Red Bank Charter School was assigned the original outstanding note of \$2,500,000 from the Red Bank Charter School Foundation, Inc. for the purchase of their school facility and improvements thereto. The outstanding principal balance on January 29, 2004 was \$2,491,280 when the assignment occurred.

The nominal annual interest rate is variable, and was 4.47% at June 30, 2011. The mortgage note is held by TD Bank and has monthly payments of \$13,578. The balance of the mortgage is due in one (1) balloon payment due October, 2013 of \$1,781,001.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

5. LONG-TERM DEBT (CONTINUED)

A. Mortgages Payable (Continued)

On May 29, 2010 The Red Bank Charter School undertook a second mortgage in the amount of \$1,020,000 to satisfy the ongoing litigation between Patock Construction Co. Inc. and Short Term Money, LLC which had filed lawsuits for amounts due for School Facility Improvements. The mortgage is payable beginning with 299 monthly principal and interest payments of \$6,729 based upon an initial interest rate of 6.25% and a twenty-five (25) year amortization. The balance of the mortgage is due in one (1) balloon payment due May 29, 2013 of \$927,468. The mortgage is subject to five (5) year interest rate adjustments and five (5) year call options.

The principal and interest on these two mortgages are due as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012 \$	95,183 \$	148,498 \$	243,681
2013	1,026,104	143,284	1,169,388
2014	<u>1,808,077</u>	<u>52,059</u>	<u>1,860,136</u>
	<u>\$ 2,929,365</u>	<u>\$ 343,840</u>	<u>\$ 3,273,205</u>

B. State Aid Payable

By letter dated August 14, 2007 from the State of New Jersey, Department of Education The Red Bank Charter School was assessed a penalty of \$55,000 for violations of the New Jersey Public Schools Contract Law. The Red Bank Charter School has accepted the penalty and is repaying the penalty over a 5 year period as permitted by the Department of Education in increments of \$11,000 per year. The final installment payment was made during this fiscal year.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

6. PENSION PLANS

Description of Plans: Substantially all of the employees of the Charter School participate in either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund, defined benefit pension plans, that have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF): The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS): The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions: The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55th of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

6. PENSION PLANS (CONTINUED)

Significant Legislation: Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2010, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2010, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2010, not more than 80 percent.

Contribution Requirements: The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual covered salary. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2011	\$ 23,339	100%
June 30, 2010	21,311	100%
June 30, 2009	9,728	100%

**Three-Year Trend Information for TPAF
(Paid on-behalf of the Charter School)**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2011	\$ 84,343	100%
June 30, 2010	73,926	100%
June 30, 2009	67,669	100%

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

6. PENSION PLANS (CONTINUED)

Contribution Requirements (Continued)

In accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the Charter School \$82,533 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

7. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required TPAF and 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 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 84,590 retirees eligible for 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 prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution 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.

8. ECONOMIC DEPENDENCY

The Charter School receives its support from federal, state and local governments. A significant reduction in the level of support, if this were to occur, would have an impact on the Charter School's programs and activities.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

9. DEFERRED COMPENSATION

The Charter School offers its employees a choice of a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan is administered by the entity listed below, 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. All amounts of compensation deferred under the plan are solely the property of the participants. Accordingly, the plan assets are not reported as part of these financial statements. The plan administrator is the Equitable.

10. RISK MANAGEMENT

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

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

11. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ <u>4,923</u>
		\$ <u><u>4,923</u></u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

THE RED BANK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

12. FUND BALANCE

General Fund – All of the \$167,493 General Fund fund balance at June 30, 2011 is unassigned.

13. CONTINGENT LIABILITIES

The Charter School is a party defendant in some lawsuits, none of a kind unusual for a Charter School of its size and scope of operation. In the opinion of the Charter School's Attorney the potential claims against the Charter School not covered by insurance policies would not materially affect the financial condition of the Charter School.

14. SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report, September 27, 2011.

15. RECENTLY ENACTED LEGISLATION

The provisions of GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions" have been implemented during this fiscal year.

Pursuant to Chapter 78 P.L. 2011 increases in employee contributions for pension and health insurance are scheduled to commence on October 1, 2011.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levies	\$ 1,402,710	\$ (2,367)	\$ 1,400,343	\$ 1,400,343	\$ -
Miscellaneous	-	-	-	25,795	25,795
Total - Local Sources	\$ 1,402,710	\$ (2,367)	\$ 1,400,343	\$ 1,426,138	\$ 25,795
State Sources:					
Equalization Aid (Local levies - state share)	\$ 213,017	\$ (359)	\$ 212,658	\$ 212,658	\$ -
Special education aid	34,677	42,826	77,503	77,503	-
Adjustment Aid	787,565	(40,100)	747,465	747,465	-
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	82,533	82,533
On-Behalf Teacher's Pension and Annuity Fund Contributions	-	-	-	84,343	84,343
Total - State Sources	\$ 1,035,259	\$ 2,367	\$ 1,037,626	\$ 1,204,502	\$ 166,876
Total Revenues	\$ 2,437,969	\$ -	\$ 2,437,969	\$ 2,630,640	\$ 192,671
<u>Expenditures</u>					
General Fund:					
Instruction:					
Salaries of teachers	\$ 949,000	\$ (13,880)	\$ 935,120	\$ 926,991	\$ 8,129
Other salaries for instruction	207,980	-	207,980	194,716	13,264
Purchased professional/technical services	45,000	(3,000)	42,000	34,905	7,095
Other purchased services	2,880	2,880	2,880	-	-
General supplies	21,500	14,000	35,500	365	35,135
Textbooks	3,000	-	3,000	1,938	1,062
Miscellaneous expense	1,000	-	1,000	899	101
Total instruction	\$ 1,227,480	\$ -	\$ 1,227,480	\$ 1,162,694	\$ 64,786

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
<u>Expenditures (Continued)</u>					
General Fund (Continued):					
Undistributed expenditures:					
Administrative:					
Salaries - administration	\$ 214,000	\$ (3,000)	\$ 211,000	\$ 208,004	\$ 2,996
Salaries of secretarial/clerical assistants	30,000	1,000	31,000	28,881	2,119
Total benefit costs	335,000	(7,500)	327,500	317,129	10,371
Purchased professional/technical services	20,000	-	20,000	18,066	1,934
Other purchased services	10,000	1,000	11,000	10,626	374
Communications/telephone	10,500	-	10,500	8,898	1,602
Supplies and materials	2,500	3,000	5,500	5,364	136
Judgements against Charter School	11,000	-	11,000	11,000	-
Mortgage Payments - Interest	152,659	8	152,667	152,659	8
Miscellaneous expense	4,500	1,992	6,492	5,638	854
<u>Total administrative</u>	<u>\$ 790,159</u>	<u>\$ (3,500)</u>	<u>\$ 786,659</u>	<u>\$ 766,265</u>	<u>\$ 20,394</u>
Support services:					
Salaries	\$ 159,500	\$ 18,353	\$ 177,853	\$ 175,784	\$ 2,069
Purchased professional/technical services	49,200	(15,853)	33,347	22,074	11,273
Other purchased services	30,000	4,000	34,000	32,635	1,365
Insurance for property, liability and fidelity	45,000	(3,000)	42,000	41,891	109
Supplies and materials	11,500	1,500	13,000	12,289	711
Transportation - other than to/from school	1,000	-	1,000	-	1,000
Energy costs (heat and electricity)	52,000	(1,500)	50,500	43,392	7,108
Miscellaneous expense	2,000	-	2,000	1,914	86
<u>Total support services</u>	<u>\$ 350,200</u>	<u>\$ 3,500</u>	<u>\$ 353,700</u>	<u>\$ 329,979</u>	<u>\$ 23,721</u>
Reimbursed TPAF social security contributions (non-budgeted)			\$	\$ 82,533	\$ (82,533)
On-Behalf Teacher's Pension and Annuity Fund Contributions				\$ 84,343	\$ (84,343)
<u>Total undistributed expenditures</u>	<u>\$ 1,140,359</u>	<u>\$ -</u>	<u>\$ 1,140,359</u>	<u>\$ 1,263,120</u>	<u>\$ (122,761)</u>

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<u>Expenditures (Continued)</u>					
Current Expense (Continued):					
Capital outlay:					
Mortgage Payments - Principal	\$ 91,023	-	\$ 91,023	\$ 91,023	-
Total capital outlay	\$ 91,023	-	\$ 91,023	\$ 91,023	-
Total general fund	\$ 2,458,862	-	\$ 2,458,862	\$ 2,516,837	\$ (57,975)
Excess/(deficiency) of revenues over/(under) expenditures	\$ (20,893)	-	\$ (20,893)	\$ 113,803	\$ 134,696
Fund balances, July 1	\$ 53,690		\$ 53,690	\$ 53,690	
Fund balances, June 30	\$ 32,797	-	\$ 32,797	\$ 167,493	\$ 134,696
Recapitulation :					
Unassigned Fund Balance				\$ 167,493	

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Revenues</u>					
Federal Sources	\$ 65,000	\$ 94,682	\$ 159,682	\$ 107,640	\$ (52,042)
Private Sources		45,467	45,467	37,361	(8,106)
Total Revenues	\$ 65,000	\$ 140,149	\$ 205,149	\$ 145,001	\$ (60,148)
<u>Expenditures</u>					
<u>Instruction:</u>					
Salaries of Teachers	\$ 65,000	\$ 43,751	\$ 108,751	\$ 56,012	\$ 52,739
General Supplies		36,272	36,272	34,865	1,407
Total Instruction	\$ 65,000	\$ 80,023	\$ 145,023	\$ 90,877	\$ 54,146
<u>Support Services:</u>					
Employee Benefits		10,211	10,211	8,323	1,888
Purchased Professional - Educational Services		30,728	30,728	30,728	-
Other Purchased Services		4,797	4,797	3,820	977
Supplies and Materials		2,790	2,790	2,162	628
Miscellaneous Expenditures		6,650	6,650	4,141	2,509
Total Support Services	-	\$ 55,176	\$ 55,176	\$ 49,174	\$ 6,002
<u>Expenditures (Continued)</u>					
<u>Facilities Acquisition and Construction Services:</u>					
Noninstructional Equipment		\$ 4,950	\$ 4,950	\$ 4,950	-
Total Facilities Acquisition and Construction Services	-	\$ 4,950	\$ 4,950	\$ 4,950	\$ -
Total Expenditures	\$ 65,000	\$ 140,149	\$ 205,149	\$ 145,001	\$ 60,148
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Title I</u> <u>2009-10</u>	<u>Title IIA</u> <u>2010-11</u>	<u>IDEA, Pre-</u> <u>School - ARRA</u> <u>2009-11</u>	<u>Title I</u> <u>ARRA</u> <u>2009-11</u>	<u>IDEA, Basic</u> <u>ARRA</u> <u>2009-11</u>	<u>I.D.E.A.</u> <u>Regular</u> <u>Program,</u> <u>Part B</u> <u>2010-11</u>	<u>UHH -</u> <u>Child</u> <u>Obesity</u>	<u>Zobel -</u> <u>Mining</u> <u>Museum</u>	<u>Summer</u> <u>Institute</u>
Revenues:									
Federal sources	\$ 38,500	\$ 3,470	\$ 1,423	\$ 13,774	\$ 19,745	\$ 30,728	\$ 500	\$ 1,125	\$ 21,624
Private sources									
Total revenues	\$ 38,500	\$ 3,470	\$ 1,423	\$ 13,774	\$ 19,745	\$ 30,728	\$ 500	\$ 1,125	\$ 21,624
Expenditures:									
Instruction:									
Salaries of teachers	\$ 38,500		\$ 1,186	\$ 13,774	\$ 15,796		\$ 500		\$ 16,326
General supplies									795
Total instruction	\$ 38,500		\$ 1,186	\$ 13,774	\$ 15,796		\$ 500		\$ 17,121
Support services:									
Purchased professional/educational services		\$ 3,470				\$ 30,728			
Other purchased services			\$ 237		\$ 3,949			\$ 350	\$ 4,137
Employee benefits									366
Supplies and materials								775	
Miscellaneous expenditures									
Total support services	\$	\$ 3,470	\$ 237		\$ 3,949	\$ 30,728		\$ 1,125	\$ 4,503
Capital Outlay:									
Non-Instructional equipment									\$
Total facilities acquisition and construction services									
Total expenditures	\$ 38,500	\$ 3,470	\$ 1,423	\$ 13,774	\$ 19,745	\$ 30,728	\$ 500	\$ 1,125	\$ 21,624

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	CCO - Outside Kiosk	PG Net Mirmio's	NJSBAIG Safety Grant	STARS Challenge	TD Bank Media Center	JPMorgan/Chase - Garden Project	PG Net/GS/ Chase Water Cooler	Totals 2011
Revenues:								
Federal sources	\$ 2,750	\$ 4,000	\$ 1,884	\$ 3,000	\$ 179	\$ 99	\$ 2,200	\$ 107,640
Private sources								37,361
Total revenues	\$ 2,750	\$ 4,000	\$ 1,884	\$ 3,000	\$ 179	\$ 99	\$ 2,200	\$ 145,001
Expenditures:								
Instruction:								
Salaries of teachers		\$ 4,000						\$ 56,012
General supplies								34,865
Total instruction		\$ 4,000						\$ 90,877
Support services:								
Purchased professional/ educational services								\$ 30,728
Other purchased services								3,820
Employee benefits								8,323
Supplies and materials			\$ 1,884	\$ 3,000	\$ 179	\$ 99		2,162
Miscellaneous expenditures								4,141
Total support services			\$ 1,884	\$ 3,000	\$ 179	\$ 99		\$ 49,174
Capital Outlay:								
Non-instructional equipment	\$ 2,750						\$ 2,200	\$ 4,950
Total facilities acquisition and construction services	\$ 2,750						\$ 2,200	\$ 4,950
Total expenditures	\$ 2,750	\$ 4,000	\$ 1,884	\$ 3,000	\$ 179	\$ 99	\$ 2,200	\$ 145,001

ENTERPRISE FUND

EXHIBIT G-1

**THE RED BANK CHARTER SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**THE RED BANK CHARTER SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**THE RED BANK CHARTER SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Student Activities</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u>7,387</u>	\$ <u>78,526</u>	\$ <u>85,913</u>
Total Assets	\$ <u><u>7,387</u></u>	\$ <u><u>78,526</u></u>	\$ <u><u>85,913</u></u>
<u>LIABILITIES</u>			
Payable to Student Groups	\$ 7,387		\$ 7,387
Payroll Deductions and Unemployment Reserve	<u> </u>	\$ <u>78,526</u>	<u>78,526</u>
Total Liabilities	\$ <u><u>7,387</u></u>	\$ <u><u>78,526</u></u>	\$ <u><u>85,913</u></u>

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Cash and Cash Equivalents				
8th Grade Account	\$ 941	\$ 14,170	\$ 12,288	\$ 2,823
Naturalist Account	123	2,906	2,573	456
Student Council	145			145
Empty Bowls	116			116
Library Fund	128	1,024	1,055	97
Zobel Foundation Fund	<u>4,375</u>	<u>2,871</u>	<u>3,496</u>	<u>3,750</u>
	<u>\$ 5,828</u>	<u>\$ 20,971</u>	<u>\$ 19,412</u>	<u>\$ 7,387</u>

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 27,134	\$ 1,806,830	\$ 1,755,438	\$ 78,526
Due From Other Funds	<u>30,000</u>	<u> </u>	<u>30,000</u>	<u> </u>
Total Assets	<u>\$ 57,134</u>	<u>\$ 1,806,830</u>	<u>\$ 1,785,438</u>	<u>\$ 78,526</u>
<u>LIABILITIES</u>				
Liabilities:				
Payroll Deductions and Unemployment Reserve	<u>\$ 57,134</u>	<u>\$ 1,776,830</u>	<u>\$ 1,755,438</u>	<u>\$ 78,526</u>
Total Liabilities	<u>\$ 57,134</u>	<u>\$ 1,776,830</u>	<u>\$ 1,755,438</u>	<u>\$ 78,526</u>

LONG-TERM DEBT

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
LONG-TERM DEBT
SCHEDULE OF MORTGAGE OBLIGATIONS
JUNE 30, 2011

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities* Date</u>	<u>Amount</u>	<u>Nominal Interest Rate</u>	<u>Balance July 1, 2010</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>
\$2,500,000.00 - Acquisition of School Facility and Improvements	2004	\$ 2,500,000.00	2011-12	\$ 75,310	4.47%	\$ 2,034,631	\$ 72,209	\$ 1,962,422
			2012-13	79,035	4.47%			
			2013-14	1,808,077	4.47%			
\$1,020,000 - School Facility Improvements	5/29/2008	1,020,000.00	2011-12	19,873	6.25%	985,757	18,814	966,943
			2012-13	947,070	6.25%			
						\$ 3,020,388	\$ 91,023	\$ 2,929,365

* Payments are made on a monthly basis.

STATISTICAL SECTION (UNAUDITED)

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS

(Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 810,587	\$ 813,681	\$ 794,247	\$ 904,722	\$ 1,128,377	\$ 1,065,932	\$ 1,018,407	\$ 968,388
Unrestricted	47,938	128,423	221,213	92,980	30,735	(16,107)	27,690	152,483
Total governmental activities net assets	\$ 858,525	\$ 942,104	\$ 1,015,460	\$ 997,702	\$ 1,159,112	\$ 1,049,825	\$ 1,046,097	\$ 1,120,881
Business-type activities								
Unrestricted	\$ 5,869	\$ 4,345	\$ 3,192	\$ 552	\$ 3,482	\$ 8,215	\$ 12,630	\$ 18,669
Total business-type activities net assets	\$ 5,869	\$ 4,345	\$ 3,192	\$ 552	\$ 3,482	\$ 8,215	\$ 12,630	\$ 18,669
District-wide								
Invested in capital assets, net of related debt	\$ 810,587	\$ 813,681	\$ 794,247	\$ 904,722	\$ 1,128,377	\$ 1,065,932	\$ 1,018,407	\$ 968,388
Unrestricted	53,807	132,768	224,405	93,532	34,217	(7,892)	40,320	171,162
Total district net assets	\$ 864,394	\$ 946,449	\$ 1,018,652	\$ 998,254	\$ 1,162,594	\$ 1,058,040	\$ 1,058,727	\$ 1,139,550

Note:
 GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 34 in fiscal year 2011 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS**

(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities								
Instruction								
Regular	\$ 1,297,548	\$ 1,334,791	\$ 1,153,454	\$ 1,618,455	\$ 1,621,418	\$ 1,722,801	\$ 1,659,139	\$ 1,637,523
Support Services:								
School Administrative Services	459,187	585,529	721,634	560,840	624,951	569,667	560,782	584,741
Central Services	633,268	406,126	468,977	620,024	592,284	494,714	519,319	482,793
Total governmental activities expenses	\$ 2,390,003	\$ 2,306,446	\$ 2,344,065	\$ 2,799,319	\$ 2,838,653	\$ 2,787,182	\$ 2,739,240	\$ 2,705,057
Business-type activities:								
Food service	\$ 39,917	\$ 42,195	\$ 37,058	\$ 37,833	\$ 40,341	\$ 40,890	\$ 45,664	\$ 46,210
Total business-type activities expense	\$ 39,917	\$ 42,195	\$ 37,058	\$ 37,833	\$ 40,341	\$ 40,890	\$ 45,664	\$ 46,210
Total district expenses	\$ 2,429,920	\$ 2,348,641	\$ 2,381,123	\$ 2,837,152	\$ 2,878,994	\$ 2,828,072	\$ 2,784,904	\$ 2,751,267
Program Revenues								
Governmental activities:								
Operating grants and contributions	\$ 390,870	\$ 181,125	\$ 173,642	\$ 211,554	\$ 137,955	\$ 102,242	\$ 128,111	\$ 144,251
Total governmental activities program revenues	\$ 390,870	\$ 181,125	\$ 173,642	\$ 211,554	\$ 137,955	\$ 102,242	\$ 128,111	\$ 144,251
Business-type activities:								
Charges for services								
Food service	\$ 11,135	\$ 12,417	\$ 11,139	\$ 10,947	\$ 14,033	\$ 15,601	\$ 13,239	\$ 13,415
Operating grants and contributions	31,029	28,254	24,766	24,246	29,238	30,022	36,840	38,834
Total business type activities program revenues	\$ 42,164	\$ 40,671	\$ 35,905	\$ 35,193	\$ 43,271	\$ 45,623	\$ 50,079	\$ 52,249
Total district program revenues	\$ 433,034	\$ 221,796	\$ 209,547	\$ 246,747	\$ 181,226	\$ 147,865	\$ 178,190	\$ 196,500

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Unaudited)

(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue								
Governmental activities	\$ (1,999,133)	\$ (2,125,321)	\$ (2,170,423)	\$ (2,587,765)	\$ (2,700,698)	\$ (2,684,940)	\$ (2,611,129)	\$ (2,560,806)
Business-type activities	2,247	(1,524)	(1,153)	(2,640)	2,930	4,733	4,415	6,039
Total district-wide net expense	\$ (1,996,886)	\$ (2,126,845)	\$ (2,171,576)	\$ (2,590,405)	\$ (2,697,768)	\$ (2,680,207)	\$ (2,606,714)	\$ (2,554,767)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 1,201,246	\$ 1,195,607	\$ 1,199,555	\$ 1,288,310	\$ 1,355,756	\$ 1,442,956	\$ 1,419,080	\$ 1,400,343
Grants and contributions	1,546,435	952,217	1,021,005	1,266,685	1,479,585	1,086,175	1,178,053	1,204,502
Miscellaneous income	31,846	61,076	23,220	15,012	26,767	36,522	10,268	30,745
Total governmental activities	\$ 2,779,527	\$ 2,208,900	\$ 2,243,780	\$ 2,570,007	\$ 2,862,108	\$ 2,575,653	\$ 2,607,401	\$ 2,635,590
Business-type activities:								
Miscellaneous	\$ 3,622							
Total business-type activities	\$ 3,622	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total district-wide	\$ 2,783,149	\$ 2,208,900	\$ 2,243,780	\$ 2,570,007	\$ 2,862,108	\$ 2,575,653	\$ 2,607,401	\$ 2,635,590
Change in Net Assets								
Governmental activities	\$ 780,394	\$ 83,579	\$ 73,357	\$ (17,758)	\$ 161,410	\$ (109,287)	\$ (3,728)	\$ 74,784
Business-type activities	5,869	(1,524)	(1,153)	(2,640)	2,930	4,733	4,415	6,039
Total district	\$ 786,263	\$ 82,055	\$ 72,204	\$ (20,396)	\$ 164,340	\$ (104,554)	\$ 687	\$ 80,823

Note:
GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 34 in fiscal year 2011 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS**

*(Unaudited)
(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Unreserved	\$ 71,362	\$ 154,354	\$ 212,598	\$ 105,616	\$ 7,745	\$ 20,893	\$ 53,690	\$ 167,493
Total general fund	<u>\$ 71,362</u>	<u>\$ 154,354</u>	<u>\$ 212,598</u>	<u>\$ 105,616</u>	<u>\$ 7,745</u>	<u>\$ 20,893</u>	<u>\$ 53,690</u>	<u>\$ 167,493</u>
All Other Governmental Funds								
Reserved								
Unreserved, reported in:								
Special revenue fund								
Capital projects fund								
Debt service fund								
Permanent fund								
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note:
GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 34 in fiscal year 2011 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(Unaudited)

(modified accrual basis of accounting)

Fiscal Year Ending June 30,

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Tax levy	\$ 600,796	\$ 1,137,086	\$ 1,201,246	\$ 1,195,607	\$ 1,199,555	\$ 1,286,310	\$ 1,355,756	\$ 1,442,956	\$ 1,419,080	\$ 1,400,343
Miscellaneous	58,588	74,888	23,086	56,587	23,219	16,641	26,767	36,522	10,268	25,795
Local sources			77,404	47,110	8,381	56,356	27,119	6,385	60,375	37,361
State sources	338,945	756,809	770,175	957,365	1,037,471	1,236,491	1,226,629	1,180,557	1,178,053	1,204,502
Federal sources	25,193	234,039	819,221	128,867	140,261	128,198	102,577	95,857	67,736	111,840
Total revenue	\$ 1,023,522	\$ 2,202,822	\$ 2,891,132	\$ 2,385,536	\$ 2,408,887	\$ 2,727,996	\$ 2,738,848	\$ 2,762,277	\$ 2,735,512	\$ 2,779,841
Expenditures										
Regular Instruction	\$ 513,517	\$ 1,075,261	\$ 1,087,335	\$ 1,104,918	\$ 962,396	\$ 1,299,073	\$ 1,263,111	\$ 1,353,432	\$ 1,275,553	\$ 1,257,771
Support Services:										
General administration	344,627	477,792	660,909	727,239	839,376	737,442	853,965	790,278	770,041	766,265
Other Support Services	210,940	560,802	581,040	395,505	456,116	637,676	619,426	521,160	558,419	546,029
Capital outlay		36,561	3,026,698	74,881	92,755	160,788	100,217	84,259	98,702	95,973
Total expenditures	1,069,084	2,150,416	5,355,982	2,302,543	2,350,643	2,834,979	2,836,719	2,749,129	2,702,715	2,666,038
Excess (Deficiency) of revenues over (under) expenditures	\$ (45,562)	\$ 52,406	\$ (2,464,850)	\$ 82,993	\$ 58,244	\$ (106,983)	\$ (97,871)	\$ 13,148	\$ 32,797	\$ 113,803
Other Financing sources (uses)										
Proceeds from mortgage			2,491,240							
Capital leases (non-budgeted)			2,491,240							
Total other financing sources (uses)	\$ 0	\$ 0	\$ 2,491,240	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0
Net change in fund balances	\$ (45,562)	\$ 52,406	\$ 26,390	\$ 82,993	\$ 58,244	\$ (106,983)	\$ (97,871)	\$ 13,148	\$ 32,797	\$ 113,803
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District records

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
GENERAL FUND REVENUE- OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ending June 30,	Interest on Investments	Donations	Insurance Refunds	Refund of Prior Year Expenditures	Use of Facilities	Study Buddies	Miscellaneous	Annual Totals
2011	\$ 479	\$ 1,645	\$	\$ 8,910	\$ 2,555	\$ 8,910	\$ 8,246	\$ 30,745
2010	478	1,502		1,256			7,032	10,268
2009	766	3,724		15,499			16,533	36,522
2008	3,663			10,689			12,415	26,767
2007	9,952			7,158			10,532	27,642
2006	10,681			8,900			3,638	23,219
2005	3,492	12,866		33,730			6,499	56,587
2004	437	2,306	\$ 317	13,891			6,135	23,086
2003	98	3,000		3,598			1,425	8,121
2002	111	46,750	693	396			1,809	49,759

Source: District records

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
(Unaudited)

<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	14	15	16	16	16	16	16
Special education	6	5	5	5	5	5	5
Other special education	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-
Other instruction	10	10	9	9	9	6	6
Nonpublic school programs	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-
Support Services:							
Student & instruction related services	2	2	2	2	2	2	2
General administration	1	1	1	1	1	1	1
School administrative services	-	-	-	-	-	-	-
Other administrative services	2	2	2	2	2	2	2
Central services	1	1	1	1	1	1	1
Administrative Information Technology	1	1	1	1	1	1	1
Plant operations and maintenance	1	1	1	1	1	1	1
Pupil transportation	-	-	-	-	-	-	-
Other support services	-	-	-	-	-	-	-
Special Schools	-	-	-	-	-	-	-
Food Service	1	1	1	1	1	1	1
Child Care	-	-	-	-	-	-	-
Total	<u>39</u>	<u>39</u>	<u>39</u>	<u>39</u>	<u>39</u>	<u>36</u>	<u>36</u>

Source: District Personnel Records

Note:

GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 44 in fiscal year 2011 only seven years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditure \$	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2002	80	\$ 1,069,084	\$ 13,364	N/A	10	16.5	15.7	79.7	77	N/A	96.61%
2003	162	2,113,855	13,048	-2.36%	15	18.0	18.0	161.4	154	102.51%	95.42%
2004	162	2,329,284	14,378	10.19%	15	18.0	18.0	160.0	152	-0.87%	95.00%
2005	160	2,227,662	13,923	-3.17%	20	18.0	16.7	157.1	150	-1.81%	95.48%
2006	160	2,257,888	14,112	1.36%	21	18.0	15.5	152.9	147	-2.67%	96.14%
2007	158	2,586,155	16,368	15.99%	21	18.0	15.5	156.7	151	2.49%	96.36%
2008	162	2,736,502	16,892	3.20%	21	18.0	15.5	158.9	152	1.40%	95.66%
2009	172	2,664,870	15,493	-8.28%	21	18.0	15.5	172.0	166	8.24%	96.51%
2010	173	2,604,013	15,052	-2.85%	21	18.0	15.5	173.0	171	0.58%	98.84%
2011	176	2,600,000	14,773	-1.86%	21	18.0	15.5	172.5	169	-0.30%	98.00%

Sources: District records

Note: Enrollment based on annual October district count.

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>District Building</u>										
<u>Elementary and Middle School (Combined)</u>										
The Red Bank Charter School										
Square Feet	N/A	N/A	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Capacity (students)	162	162	162	162	162	162	162	180	180	180
Enrollment	140	141	157	153	156	156	156	172	173	173

Number of Schools at June 30, 2011
 Elementary and Middle School combined = 1

Source: District Records

THE RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
INSURANCE SCHEDULE
JUNE 30, 2011
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
<u>New Jersey School Board Association Insurance Group</u>		
<u>Property</u>		
Building and Contents	\$ 5,595,054	\$ 1,000
Valuable Papers and Records	10,000,000	1,000
Extra Expense	25,000,000	1,000
Increased Cost of Construction/Build. Ord.		1,000
Crime/Empl Dishonesty		500
 <u>Comprehensive General Liability</u>		
General Liability	11,000,000	n/a
School Leaders Errors & Omissions Coverage	10,000,000	5,000
 <u>Electronic Data Processing</u>		
Blanket Equipment, Data and Media	105,000	1,000
Computer Virus	250,000	
 <u>Workers Compensation</u>		
Professional/Non-Professional	2,000,000	Statutory
 <u>Automobile Coverage</u>		
Liability Limit	11,000,000	
 <u>Student Accident</u>		
Medical Expense Benefit	5,000,000	Maximum
 <u>Commerial Excess Liability</u>		
Aggregate Limit Of Liability	5,000,000	10,000
 <u>Equipment Breakdown Coverage</u>		
Boiler and Machinery	100,000,000	1,000
 <u>Public Official Bonds</u>		
Theresa Shirley, Board Secretary	145,000	N/A
Public Employee Dishonesty	50,000	N/A

SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S 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**

Honorable President and Members
of the Board of Trustees
The Red Bank Charter School
Red Bank, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of The Red Bank Charter School ("Charter School"), in the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated September 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 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 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 Charter School'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* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

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

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants



David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
September 27, 2011

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

Honorable President and Members
of the Board of Trustees
The Red Bank Charter School
Red Bank, New Jersey

Compliance

We have audited the Board of Trustees of The Red Bank Charter School ("Charter School"), Red Bank, NJ, compliance with the types of compliance requirements described in *OMB Circular A-133 "Compliance Supplement"* and the "New Jersey State Aid/Grant Compliance Supplement" that are applicable to its major state program for the fiscal year ended June 30, 2011. The Charter School's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of The Red Bank Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

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

In our opinion, The Red Bank Charter School complied, in all material respects, with the requirements referred to above that are applicable to its major state programs for the fiscal year ended June 30, 2011.

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

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the Board of Trustees, management, the New Jersey Department of Education and other state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants



David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
September 27, 2011

**RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Period From To	Award Amount	June 30, 2010		Budgetary Expenditures	Adjustments	June 30, 2011		
				(Accounts Receivable)	Deferred Revenue			(Accounts Receivable)	Deferred Revenue	
				\$	\$	\$	\$	\$	\$	
U.S. Department of Education:										
Passed Through State Department of Education:										
Special Revenue Fund:										
Title I, Part A, 07/08	84.010A	9/1/08 - 8/31/09	70,053		3,503				3,503	
Title I, Part A, 08/09	84.010A	9/1/08 - 8/31/09	63,047		432				432	
Title I, Part A, 09/10	84.010A	9/1/09 - 8/31/10	56,742	(6,200)		(38,500)		(4,200)		
ARRA - Title I, Part A, 09/10	84.389	9/1/09 - 8/31/10	15,460	(1,686)		(13,774)		(15,460)		
Title II, Part A, 07/08	84.367A	9/1/08 - 8/31/09	4,056		4,056				4,056	
Title II, Part A, 08/09, Carryover	84.367A	9/1/08 - 8/31/09	4,339		184				184	
Title II, Part A, 10/11	84.367A	9/1/10 - 8/31/11	3,802			(3,470)		(3,470)		
Title II, Part D, 07/08	84.318X	9/1/08 - 8/31/09	476		476				476	
Title II, Part D, 08/09	84.318X	9/1/08 - 8/31/09	524		304				304	
Title IV, 07/08	84.186	9/1/08 - 8/31/09	1,622		442				442	
Title IV, 08/09	84.186	9/1/08 - 8/31/09	998		245				245	
Title V, 08/09	84.298	9/1/08 - 8/31/09	299		299				299	
IDEA Part B, Basic Regular, 10/11	84.027	9/1/10 - 8/31/11	30,728			(30,728)		(30,728)		
ARRA - IDEA Part B, Basic Regular, 09/11	84.391	9/1/09 - 8/31/11	38,490			(19,745)		(19,745)		
IDEA Part B, Preschool, 06/07	84.173	9/1/06 - 8/31/07	1,226			(1,226)		(1,226)		
IDEA Part B, Preschool, 09/10	84.173	9/1/09 - 8/31/10	301	(301)				(301)	301	
ARRA - IDEA Part B, Preschool, 09/11	84.392	9/1/09 - 8/31/11	1,423			(1,423)		(1,423)		
Total Special Revenue Fund				(8,187)	9,941	(107,640)	(1,226)	(75,827)	10,242	
U.S. Department of Agriculture:										
Passed Through State Department of Education:										
Food Service Enterprise Fund:										
National School Breakfast Program, 09/10	10.553	7/1/09 - 6/30/10	3,229	(353)						
National School Breakfast Program, 10/11	10.553	7/1/10 - 6/30/11	4,778			(4,778)		(317)		
National School Lunch Program, 09/10	10.555	7/1/09 - 6/30/10	28,562	(2,190)						
National School Lunch Program, 10/11	10.555	7/1/10 - 6/30/11	33,333			(33,333)		(1,887)		
Total Food Service Enterprise Fund				(2,543)		(38,111)		(2,204)		
Total Federal Awards				(10,730)	9,941	(145,751)	(1,226)	(77,531)	10,242	

Note:
This Schedule of Federal Awards is not Subject to a Single Audit in Accordance with OMB Circular A-133

The Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an Integral Part of this Statement

RED BANK CHARTER SCHOOL
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/ Program Title	Grant or State Project Number	Grant Period		Award Amount	June 30, 2010		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2011		
		From	To		(Accounts Receivable)	Deferred Revenue				(Accounts Receivable)	Deferred Revenue	
State Department of Education:												
General Fund:												
Special Education Categorical Aid 10/11	11-495-034-5120-089	7/1/10 -	6/30/11	\$ 77,503	\$	\$	\$	\$ 77,503	\$ (77,503)	\$	\$	
Adjustment Aid 10/11	11-495-034-5120-085	7/1/10 -	6/30/11	747,465				731,492	(747,465)	(15,973)		
Equalization Aid 10/11	11-495-034-5120-078	7/1/10 -	6/30/11	212,658				212,658	(212,658)			
Equalization Aid 09/10	10-495-034-5120-078	7/1/09 -	6/30/10	926,674		(7,963)		7,963				
Reimbursed Social Security Contributions 10/11	11-495-034-5095-002	7/1/10 -	6/30/11	82,533				78,333	(82,533)	(4,201)		
Total General Fund						(7,963)		1,107,949	(1,120,159)	(20,174)		
Food Service Enterprise Fund:												
State School Lunch Program 09/10	10-100-010-3350-023	7/1/09 -	6/30/10	1,222		(93)		93				
State School Lunch Program 10/11	11-100-010-3350-023	7/1/10 -	6/30/11	724				680	(724)	(44)		
State School Breakfast Program 09/10	10-100-034-3350-021	7/1/09 -	6/30/10	257		(14)		14				
Total Food Service Enterprise Fund						(107)		787	(724)	(44)		
Total						\$ (8,070)		\$ 1,108,735	\$ (1,120,883)	\$ (20,218)	\$	

The accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this statement

RED BANK CHARTER SCHOOL
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Board of Trustees of the Red Bank Charter School. The Board of Trustees is defined in Note 1 to the Charter School's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on 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 2(C) to the Board's basic financial statements. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

RED BANK CHARTER SCHOOL
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,120,159	\$ 1,120,159
Special Revenue Fund	\$ 107,640	-	107,640
Food Service	<u>38,111</u>	<u>724</u>	<u>38,835</u>
 Total Awards and Financial Assistance	 <u>\$ 145,751</u>	 <u>\$ 1,120,883</u>	 <u>\$ 1,266,634</u>

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. OTHER

TPAF Social Security Contributions in the amount of \$82,533 represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. The amount reported as TPAF Pension and Annuity Contributions in the amount of \$84,343 represents the amount paid by the State on behalf of the Charter School for the year ended June 30, 2011, this amount is omitted from Schedule K-4 as it is not subject to state single audit.

RED BANK CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued: Unqualified

Internal control over financial reporting:

1. Material weakness(es) identified? yes x no
2. Significant deficiencies identified? yes x none reported

Noncompliance material to basic financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:

1. Material weakness(es) identified? yes x no
2. Were significant deficiencies identified? yes x none reported

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

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

Identification of major programs:

<u>GMIS Number</u>	<u>Name of State Program</u>
<u>11-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>11-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>11-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>

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

Auditee qualified as low-risk auditee? x yes no

RED BANK CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapters 5.18 through 5.20 of *Government Auditing Standards*.

NONE.

**Section III - Schedule State Financial Assistance
Findings and Questioned Costs**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

NONE.

**Section III - Schedule of Federal Awards
Findings and Questioned Costs**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

NONE.

RED BANK CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with *Government Auditing Standards*, U.S. OMB Circular A-133 and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding 2010-1

Carryover applications were not submitted timely for Titles I, IIA, IID, IV and V programs.

Current Status

Corrected

Finding 2010-2

Amounts due grantors as reflected in the prior years audit were not remitted to grantor agency during current fiscal year.

Current Status

Corrected