

***PATERSON CHARTER SCHOOL  
FOR SCIENCE AND TECHNOLOGY***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2012***

**PATERSON CHARTER SCHOOL**  
**FOR**  
**SCIENCE AND TECHNOLOGY**

***Paterson Charter School for Science and Technology***  
***Board of Trustees***  
***Paterson, New Jersey***

***Comprehensive Annual Financial Report***  
***For The Fiscal Year Ended June 30, 2012***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Prepared by  
Paterson Charter School for Science and Technology  
Finance Department**

**And  
Barre & Company, CPAs**

**STATE BOARD OF EDUCATION**

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**Christopher D. Cerf, Acting Commissioner of Education  
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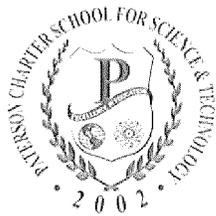
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***INTRODUCTORY SECTION***



September 4, 2012

Honorable President and  
Members of the Board of Trustees  
Paterson Charter School for Science and Technology  
County of Passaic  
Paterson, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Paterson Charter School for Science and Technology (Charter) for the fiscal year ended June 30, 2012. This CAFR includes the Charter's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Paterson Charter School for Science and Technology with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principle Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section – the Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 4-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

### **PCSST Executive Summary**

The founding committee for Paterson Charter School for Science & Technology (PCSST) was granted its initial charter in 2001. Due to challenges locating a suitable facility, PCSST took a planning year, and opened its doors with 12 teachers and 147 students in grades six through eight in the fall of 2003. Initially, and during its first two years of operation, PCSST was located at 5-7 Mill Street in Paterson. The Mill Street location was an old and narrow, four-story 11,000 square-foot silk factory, and not an ideal facility for a school. The building’s space constraints prevented the school from offering students a gym or lunchroom, and provided little to no opportunity for grade level expansion or student population growth.

PCSST moved to a 66,800 square-foot building located at 276 Wabash Avenue in the fall of 2005. At that time, the school served students in grades 6-10 with a faculty and staff of 52. The Wabash Avenue location was originally a warehouse, converted in to a school by the landlord. The increased space enabled PCSST to serve up to 588 students in grades 6-12 residing in Paterson.

PCSST received its first renewal charter 2007. Soon thereafter, and at the request of Paterson community stakeholders, the PCSST Board of Trustees submitted an amended proposal to the NJ Department of Education in October 2008 to offer elementary education. PCSST was granted approval from the Department of Education to add grades K-5 in 2009. The following year, PCSST welcomed 180 students in grades two through five at 765 14th Avenue, the site of a former elementary school building in Paterson. At the start of the 2011-2012 academic year, the PCSST elementary campus moved to the Wabash Avenue campus, adding kindergarten and first grades, and the high school moved to a former high school building located at 764 11th Avenue in Paterson. PCSST reached its maximum enrollment of 1,068 students: the Wabash Avenue campus serves 564 students in grades K-6, and the 11<sup>th</sup> Avenue campus serves 504 students in grades 7-12. This expansion allowed PCSST to build upon its model to empower all students – through a standards/equity-based program and high expectations – to reach high levels of achievement.

Since its inception, PCSST has enjoyed broad-based support from parents, students and the Paterson community at-large. As a result, the school has had to wait-list students for all but the first few years of operation. Last year, there were only 300 spaces available for new students, yet 841 more students interested in attending PCSST than could be accommodated.

PCSST is the only charter school in Paterson serving a secondary student population. As a result during the last two school years, PCSST has received over 1,200 applications for 100-120 available seats.

**1. REPORTING ENTITY AND ITS SERVICES:** Paterson Charter School for Science and Technology is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds of the Charter School are included in this report. Paterson Charter School for Science and Technology Board of Trustees constitutes the Charter School's reporting entity.

Paterson Charter School for Science and Technology provides a full range of educational services appropriate to Grades K – 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2011-2012 school year with an enrollment of 1,038 students. The following details the changes in the student enrollment of the Charter School over the last five years.

**Average Daily Enrollment**

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-2012	1037.7	38.34%
2010-2011	750.1	32.92%
2009-2010	565	-0.53%
2008-2009	568	13.20%
2007-2008	493	17.24%
2006-2007	408	19.85%

**2. ECONOMIC CONDITION AND OUTLOOK:** Paterson is one of the largest cities in New Jersey. Industry and business is still expanding and the education level of Paterson is increasing every day. Paterson has an increasing education budget since it is an Abbott district.

**3. MAJOR INITIATIVE: RENEWAL**

Paterson has one of the largest student populations in New Jersey yet continues to be one of the lowest performing public school districts in the state. Students at PCSST have outperformed district averages making it clear that the expansion of quality educational alternatives is much needed. ***PCSST was granted permission to operate a third charter*** by the NJ Department of Education because of its commitment to high student performance, well-structured programs, and academic, organizational and fiscal competence.

The quality of the PCSST program is evidenced by the success of our students' academic performance. Over 90% of PCSST students have demonstrated proficiency in language arts on the HSPA for at least three consecutive years. Our students' performance in mathematics has improved by nearly 10% each year for the last three years. PCSST's success is juxtaposed against a public school system currently failing to support the needs of struggling learners. Accordingly, Paterson contains six Priority Schools (representing the lowest-performing five percent of Title I schools in the state) and 18 Focus Schools (10% of Title I schools statewide with achievement gaps, low performance or low graduation rates between subgroups).

PCSST is focused on scientific exploration and inquiry. Instructional strategies include the Socratic Method among others that are grounded in research on brain-based learning, which taps into the natural intellect and behaviors that are characteristic of students ages 8-18. We expect instructional staff to deliver instruction with quality, utilizing comprehensible methodologies empowering youngsters to question, challenge, argue, persuade, find understanding, and achieve high levels of excellence. Science pursued through an education program such as the one instilled in the Paterson Charter School for Science & Technology will provide the children of the City of Paterson with knowledge, intellectual and social skills needed to become contributing members of our society, and become citizens who can think critically, solve problems and participate fully and competently in effective solutions of local and global conditions.

The mission of the Paterson Charter School for Science and Technology is to provide a responsive educational model that will empower all students, through a standards – equity based academic program founded on expectations for high achievement that will graduate literate, responsible, self-directed persons who have the core knowledge and skills needed to be successful, contributing members of society.

## **Curriculum**

The PCSST 5 Year Curriculum revision Cycle is revised annually to adjust and adopt those standards required by the State of NJ. During the summer of 2011 Mathematics curriculum was revised to address the Common Core State Standards. During the summer of 2012 Language Arts Curriculum was revised to address the CCSS. All new courses in all subjects, including Social Studies and Science are being written with the CCSS included. Other subjects are using the CCSS to include literacy aspects of the standards in the new curriculum. As the 5 Year Curriculum Revision Cycle continues, remaining courses will be revised with new curriculum reflecting the CCSS.

The first Advanced Placement course, AP Biology, is offered in this 2012-13 academic year at PCSST. Honors courses have been developed in Language Arts, US History and a variety of Math subjects to prepare for the advent of AP courses in those content areas as well. An accelerated mathematics program is being implemented to provide instruction in Algebra for the most capable 8th grade students.

## **Athletics Department**

The main focus of the 2011-2012 school year was to establish our existence as a school with athletic opportunities. At the beginning of the 2011-2012 school year, sign-up sheets were announced and put in the cafeteria for high school students to show interest in the sports they would like to have available at PCSST. Based on the results of the sign-up sheets, teams were established for girls volleyball, boys basketball, and boys soccer for this year. Girls softball is planned to begin in the spring of 2013.

For any sport that is not offered at PCSST, a student may participate in that sport at another school. Senior athletes who have already been established at another school district may choose to continue playing for the team they are currently with.

In addition to the membership that will be acquired into the NJSIAA for 2012-2013 and the eventual membership into the NJIC conference for 2013-2014, PCSST has also been established as a NCAA-eligible school.

## **Professional Development**

Several Professional Development strands were developed for teachers in cooperation with the Building Professional Development Committee. First, PD focused on effective development of PLCs so team work to provide appropriate interventions for students maximize their impact. Second, PD in Data Analysis methods was implemented so teachers working in PLCs would have the tools to identify student needs. Third, teachers were trained to include strategies that are significant in developing student achievement. A consultant was hired to provide training in the program, *Teach like a Champion*. Teachers are observed and evaluated based on their use of the instructional principles found in *The Art and Science of Teaching* by Robert Marzano, one of the recommended systems of research-based observation/evaluation systems recognized by the state for use in the EE4NJ program. PD activities have been developed for teachers to learn and implement those strategies.

**4. INTERNAL ACCOUNTING CONTROLS:** Management of the Board of Trustees 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 management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be appropriated are reported as reservations of fund balance at June 30, 2012.

**6. CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 2. The Charter School has adopted a cash management plan which requires it to deposit 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 Government Units from a loss of funds on deposits 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.

**7. 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, and fidelity bonds.

## **8. OTHER INFORMATION**

**Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPA's, was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, "*Audits of State, Local Governments and Non-Profits Organizations*" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of the report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

**9. ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act ("Act") requires initial and on-going training for all staff members. Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation and bullying prevention in each professional development period. PCSST has hired a district level HIB coordinator on September 1, 2011. Building level HIB specialists are also assigned per building received adequate training. In 2011-2012, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

**10. ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Paterson Charter School for Science and Technology Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,



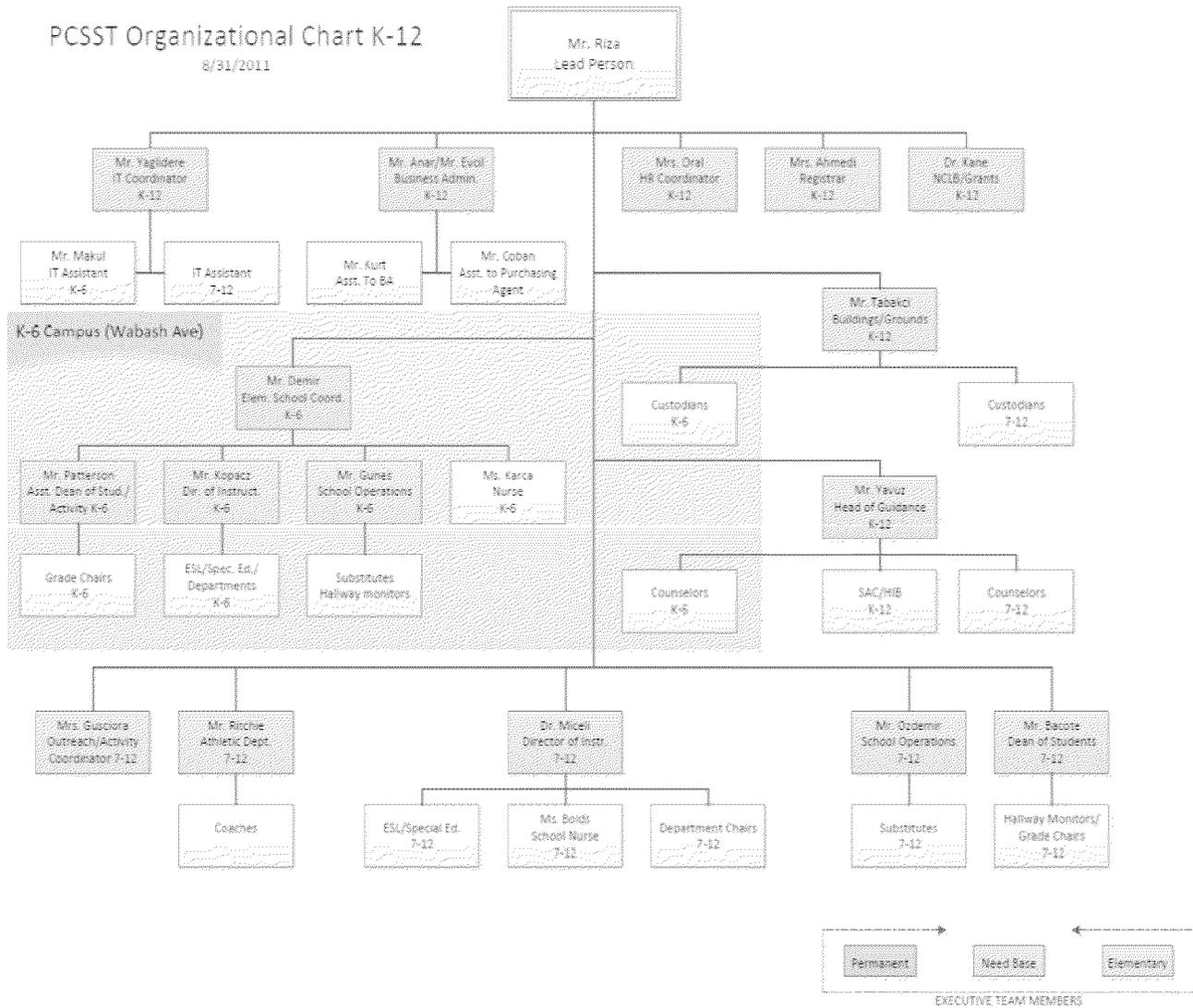
A. Riza Gurcanli  
Lead Person

# PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

## ORGANIZATIONAL CHART

PCSST Organizational Chart K-12

8/31/2011



**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2012**

**Members of the Board of Trustees**

**Position**

Ken Aydin	President
Carol Burt-Miller	Vice President, Outreach
Erdem Alpay	Member
Ayhan Koroglu	Member
Eric Estrada	Member

**Other Officials**

A. Riza Gurcanli	Lead Person
Halil Demir	Elementary School Coordinator
Joseph Miceli	Director of Instruction
Matt Anar	Business Administrator
Irfan Evcil	Assistant Business Administrator/Board Secretary
Christopher M. Lessard	Treasurer

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue  
Union, NJ 07083

***Attorney***

Riker, Danzig, Scherer, Hyland and Perretti, LLP  
Attorneys at Law  
Headquarters Plaza, One Speedwell Avenue  
Morristown, NJ 07962-1981

***Official Depository***

PNC Bank  
Lakeview Branch  
1152 Main Street at Crooks Avenue  
Paterson, NJ 07503

***FINANCIAL SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Trustees  
Paterson Charter School for Science and Technology  
County of Passaic  
Paterson, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund and the aggregate remaining fund information of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012 on our consideration of the 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information starting on pages 16 and 62, respectively, 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 applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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.

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



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

September 4, 2012

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The discussion and analysis of Paterson Charter School for Science and Technology's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2012. 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.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- ❖ General revenues accounted for \$15,610,451 in revenues or 99% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$164,840 or 1% percent of total revenues of \$15,775,291.
- ❖ The Charter School had \$15,882,714 in expenses; only \$164,840 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,610,451 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$14,606,800 in revenues and \$14,949,288 in expenditures. The General Fund's fund balance decreased \$342,488 over 2011. This decrease was anticipated by the Board of Trustees.

### **Using this Comprehensive Annual Financial Report (CAFR)**

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**Using this Comprehensive Annual Financial Report (CAFR) (Continued)**

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a 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 with all other non-major funds presented in total in one column. In the case of Paterson Charter School for Science and Technology, the General Fund is by far the most significant fund.

**Reporting the Charter School as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. 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 it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**Statement of Net Assets and the Statement of Activities (Continued)**

- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses 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 Statements**

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transaction. The Charter School's 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 those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**Enterprise Fund**

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

**Notes to the 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 notes to the financial statements can be found starting on page 39 of this report.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**The Charter School as a Whole**

Recall that the *Statement of Net Assets* provides the perspective of the Charter School as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net assets were \$2,523,921 for 2012 and \$2,563,533 for 2011.

**Governmental Activities**

The Charter School's total revenues were \$15,775,291 for 2012 and \$11,663,978 for 2011, this includes \$419,418 for 2012 and \$520,627 for 2011 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$15,882,714 for 2012 and \$11,081,685 for 2011. Instruction comprises 52% for 2012 and 48% for 2011 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents school equipment purchased under the \$2,000 threshold.

**Business-Type Activities**

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**Business-Type Activities (Continued)**

- ❖ Proprietary Fund operating revenues exceeded operating expenses by \$67,811 for 2012 and operating revenues exceeded operating expenses by \$26,714 for 2011.
- ❖ Charges for services represent \$155,352 for 2012 and \$132,222 for 2011. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$504,413 for 2012 and \$280,704 for 2011.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$15,775,291 for 2012 and \$11,663,978 for 2011 and expenditures were \$15,882,714 for 2012 and \$11,081,685 for 2011. The net change in fund balance for fiscal years 2012 and 2011 was most significant in the general fund, a decrease of \$107,423 in 2012 and an increase of \$582,293 in 2011.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2012.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2011</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 1,503,989	9.53%	\$ 365,110	32.06%
State Sources	13,102,811	83.06%	3,453,296	35.79%
Federal Sources	1,168,491	7.41%	292,907	33.45%
<b>Total</b>	<b>\$ 15,775,291</b>	<b>100.00%</b>	<b>\$ 4,111,313</b>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2012.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2011	Percent of Increase/ (Decrease)
Instruction	\$ 6,567,794	40.75%	\$ 2,287,797	53.45%
Administration	3,608,433	22.39%	750,243	26.25%
Support Services	5,744,687	35.64%	1,841,567	47.18%
Capital Outlay	196,865	1.22%	164,358	505.61%
<b>Total</b>	<b>\$ 16,117,779</b>	<b>100.00%</b>	<b>\$ 5,043,965</b>	

**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.

- ♣ Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

**Capital Assets (Net of Depreciation)**

At the end of the fiscal year 2012, the Charter School had \$266,681 invested in machinery and equipment.

**For the Future**

The Paterson Charter School for Science and Technology is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Paterson Charter School for Science and Technology has committed itself to financial stability for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
PATERSON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**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, contact Mr. Matt Anar, Business Administrator at Paterson Charter School for Science and Technology, 764 11th Avenue, Paterson, New Jersey 07514.

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

*The statement of net assets and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.*

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Statement of Net Assets  
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,353,237	\$ 123,074	\$ 1,476,311
Interfund Receivables	214,750	48,594	263,344
Receivables	1,045,564	43,133	1,088,697
Inventories		37,530	37,530
Prepaid Expenses	103,000		103,000
Capital Assets, Net	266,681	31,114	297,795
<b>Total Assets</b>	<b>2,983,232</b>	<b>283,445</b>	<b>3,266,677</b>
<b>LIABILITIES:</b>			
Interfund Payable	211,303	42,599	253,902
Accounts Payable	438,649	50,205	488,854
<b>Total Liabilities</b>	<b>649,952</b>	<b>92,804</b>	<b>742,756</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	(203,448)	23,770	(179,678)
Unrestricted	2,536,728	166,871	2,703,599
<b>Total Net Assets</b>	<b>\$ 2,333,280</b>	<b>\$ 190,641</b>	<b>\$ 2,523,921</b>

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Statement of Activities  
For The Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 6,717,651	\$ 1,510,008	\$ -	\$ 164,840	\$ -	\$ (8,062,819)	\$ -	\$ (8,062,819)
Administration	1,307,138	300,219				(1,607,357)		(1,607,357)
Support Services	5,626,574	494,186				(6,120,760)		(6,120,760)
Capital Outlay	(73,062)					73,062		73,062
<b>Total Governmental Activities</b>	<b>13,578,301</b>	<b>\$ 2,304,413</b>	<b>-</b>	<b>164,840</b>	<b>-</b>	<b>(15,717,874)</b>	<b>-</b>	<b>(15,717,874)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	592,179		155,352	504,413		67,586	67,586	67,586
Total Business-Type Activities	592,179		155,352	504,413	-	67,586	67,586	67,586
Total Primary Government	\$ 14,170,480		\$ 155,352	\$ 669,253	\$ -	\$ (15,717,874)	\$ 67,586	\$ (15,650,288)
<b>GENERAL REVENUES</b>								
Federal and State Aid Not Restricted			\$	15,601,904	\$	15,601,904	\$	15,601,904
Investment Earnings				373		373		373
Miscellaneous Income				8,174		8,174	225	8,399
Total General Revenues				15,610,451		15,610,451	225	15,610,676
Change in Net Assets				(107,423)		(107,423)	67,811	(39,612)
Net Assets - Beginning				2,440,703		2,440,703	122,830	2,563,533
Net Assets - Ending				\$ 2,333,280		\$ 2,333,280	\$ 190,641	\$ 2,523,921

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

**SECTION B – FUND FINANCIAL STATEMENTS**

***The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.***

***GOVERNMENTAL FUNDS***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Governmental Funds  
 Combining Balance Sheet  
 June 30, 2012

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,353,237	\$ -	\$ 1,353,237
Interfund Receivables	214,750		214,750
Receivables From Other Governments		579,300	579,300
Other Receivables	466,264		466,264
Other Assets	103,000		103,000
Total Current Assets	2,137,251	579,300	2,716,551
Total Assets	\$ 2,137,251	\$ 579,300	\$ 2,716,551
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ 6,915	\$ 204,388	\$ 211,303
Payable to Federal Government			-
Accounts Payable	63,737	374,912	438,649
Total Current Liabilities	70,652	579,300	649,952
Total Liabilities	70,652	579,300	649,952
Fund Balances:			
Unreserved:			
General Fund	2,066,599		2,066,599
Total Fund Balances	2,066,599	-	2,066,599
Total Liabilities and Fund Balances	\$ 2,137,251	\$ 579,300	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$343,574 and the accumulated depreciation is \$76,893.			
			266,681
Net Assets of Governmental Activities			\$ 2,333,280

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,495,442	\$ -	\$ 1,495,442
Interest on Investments	373		373
Miscellaneous	8,174		8,174
Total Local Sources	1,503,989	-	1,503,989
State Sources	13,102,811		13,102,811
Federal Sources		1,168,491	1,168,491
Total Revenues	14,606,800	1,168,491	15,775,291
EXPENDITURES:			
Instruction	5,836,184	731,610	6,567,794
Administration	3,608,433		3,608,433
Support Services	5,333,713	410,974	5,744,687
Capital Outlay	170,958	25,907	196,865
Total Expenditures	14,949,288	1,168,491	16,117,779
NET CHANGE IN FUND BALANCES	(342,488)	-	(342,488)
FUND BALANCES, JULY 1	2,409,087	-	2,409,087
FUND BALANCES, JUNE 30	\$ 2,066,599	\$ -	\$ 2,066,599

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Reconciliation of the Statement of Revenues, Expenditures  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Fiscal Year Ended June 30, 2012

Total net change in fund balances - governmental fund (from B-2)		\$ (342,488)	
Amounts reported for governmental activities in the statement of activities (A-2) are different because:			
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>			
Depreciation Expense		\$ (34,862)	
Capital Outlay		<u>269,927</u>	<u>235,065</u>
Change in net assets of governmental activities			<u><u>\$ (107,423)</u></u>

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

*PROPRIETARY FUNDS*

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Proprietary Fund  
Statement of Net Assets  
June 30, 2012

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 116,650	\$ 191	\$ 6,233	\$ 123,074
Due From Other Funds	48,594			48,594
Intergovernmental Accounts Receivable:				
Federal	42,585			42,585
State	548			548
Inventories		37,530		37,530
<b>Total Current Assets</b>	<b>208,377</b>	<b>37,721</b>	<b>6,233</b>	<b>252,331</b>
Noncurrent Assets:				
Machinery and Equipment	52,086			52,086
Less Accumulated Depreciation	(20,972)			(20,972)
<b>Total Noncurrent Assets</b>	<b>31,114</b>	<b>-</b>	<b>-</b>	<b>31,114</b>
<b>Total Assets</b>	<b>\$ 239,491</b>	<b>\$ 37,721</b>	<b>\$ 6,233</b>	<b>\$ 283,445</b>
<b>LIABILITIES AND NET ASSETS:</b>				
Liabilities:				
Interfund Accounts Payable	\$ -	\$ 42,599	\$ -	\$ 42,599
Accounts Payable	50,205			50,205
<b>Total Liabilities</b>	<b>50,205</b>	<b>42,599</b>	<b>-</b>	<b>92,804</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	23,770			23,770
Unrestricted	165,516	(4,878)	6,233	166,871
<b>Total Net Assets</b>	<b>189,286</b>	<b>(4,878)</b>	<b>6,233</b>	<b>190,641</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 239,491</b>	<b>\$ 37,721</b>	<b>\$ 6,233</b>	<b>\$ 283,445</b>

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Proprietary Fund  
 Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 For the Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund			Total
	Food Service	School Store	Community Service	
<b>OPERATING REVENUES:</b>				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 127,596	\$ 27,756	\$ -	\$ 155,352
Miscellaneous Revenue	225			225
<b>Total Operating Revenues</b>	<b>127,821</b>	<b>27,756</b>	<b>-</b>	<b>155,577</b>
<b>OPERATING EXPENSES:</b>				
Salaries	170,453			170,453
Management Fees	8,000			8,000
Supplies and Materials	87,179			87,179
Depreciation Expense	6,353			6,353
Cost of Sales	294,474	5,043		299,517
Miscellaneous Expenses	20,677			20,677
<b>Total Operating Expenses</b>	<b>587,136</b>	<b>5,043</b>	<b>-</b>	<b>592,179</b>
<b>OPERATING LOSS</b>	<b>(459,315)</b>	<b>22,713</b>	<b>-</b>	<b>(436,602)</b>
<b>NONOPERATING REVENUES:</b>				
State Source:				
State School Breakfast/Lunch Program	7,320			7,320
State FFVP Program	9,204			9,204
Federal Source:				
National School Breakfast/Lunch/Snack Program	487,889			487,889
<b>Total Nonoperating Revenues</b>	<b>504,413</b>	<b>-</b>	<b>-</b>	<b>504,413</b>
<b>CHANGE IN NET ASSETS</b>	<b>45,098</b>	<b>22,713</b>	<b>-</b>	<b>67,811</b>
<b>TOTAL NET ASSETS, JULY 1</b>	<b>144,188</b>	<b>(27,591)</b>	<b>6,233</b>	<b>122,830</b>
<b>TOTAL NET ASSETS, JUNE 30</b>	<b>\$ 189,286</b>	<b>\$ (4,878)</b>	<b>\$ 6,233</b>	<b>\$ 190,641</b>

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Proprietary Fund  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 118,000	\$ 31,100	\$ -	\$ 149,100
Cash Payments to Suppliers and Employees	(570,874)	(30,909)		(601,783)
Net Cash Used In Operating Activities	(452,874)	191	-	(452,683)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash Received From State And Federal Reimbursements	504,413			504,413
Net Cash Provided By Noncapital Financing Activities	504,413	-	-	504,413
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition And Construction Of Capital Assets	(13,486)			(13,486)
Net Cash Used For Capital And Related Financing Activities	(13,486)	-	-	(13,486)
Net Increase In Cash And Cash Equivalents	38,053	191	-	38,244
Cash And Cash Equivalents, Beginning Of Year	78,597	-	6,233	84,830
Cash And Cash Equivalents, End Of Year	<u>\$ 116,650</u>	<u>\$ 191</u>	<u>\$ 6,233</u>	<u>\$ 123,074</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>				
Operating Loss Used for Operating Activities	\$ (459,315)	\$ 22,713	\$ -	\$ (436,602)
Depreciation	6,353			6,353
Decrease In Due From Other Funds	9,881	3,344		13,225
Increase In Receivables From Other Governments	(19,702)			(19,702)
Increase In Inventories		(9,990)		(9,990)
Increase (Decrease) In Interfund Payable	(17,484)	(15,876)		(33,360)
Increase In Accounts Payable	27,393			27,393
Net Cash Used In Operating Activities	<u>\$ (452,874)</u>	<u>\$ 191</u>	<u>\$ -</u>	<u>\$ (452,683)</u>

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

*FIDUCIARY FUNDS*

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012

	Unemployment Compensation Trust	Agency Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 3,538	42,055
Interfund Accounts Receivable		
	<u>                    </u>	<u>                    </u>
Total Assets	<u>3,538</u>	<u>\$ 42,055</u>
<b>LIABILITIES:</b>		
Interfund Accounts Payable		\$ 9,442
Due to Student Groups		32,613
		<u>                    </u>
Total Liabilities	<u>-</u>	<u>\$ 42,055</u>
<b>NET ASSETS:</b>		
Reserved for Encumbrances		
Reserved for Unemployment Claims	3,538	
Unreserved		
	<u>                    </u>	
Total Net Assets	<u>\$ 3,538</u>	

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Assets  
 For Fiscal Year Ended June 30, 2012

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions	<u>\$ 81,148</u>
Total Additions	<u>81,148</u>
DEDUCTIONS:	
Payment of Claims	<u>79,706</u>
Total Deductions	<u>79,706</u>
CHANGE IN NET ASSETS	1,442
NET ASSETS - BEGINNING OF THE YEAR	<u>2,096</u>
NET ASSETS - END OF THE YEAR	<u><u>\$ 3,538</u></u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

The financial statements of Paterson Charter School for Science and Technology have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

**A. Reporting Entity**

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by 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 and account groups of the Charter School over which it exercises operating control. The operations of the Paterson Charter School for Science and Technology include two schools a Grade 2-8 and a Grade 9-12 located in the City of Paterson. There are 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

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

*Charter School-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 overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

*Fund Financial Statements:* During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following *governmental* funds:

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

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

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

Proprietary Fund Types: These funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

The Charter School reports the following *proprietary* fund:

Enterprise Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Charter School's Food Service operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Funds: The funds are used to account for assets held by the Charter School on behalf of others.

The Charter School reports the following *fiduciary* fund:

Agency Funds: The agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments, or on behalf of other funds within the Charter School. The agency funds included are as follows:

Payroll and Student Activities Funds: These are agency funds 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.

Unemployment Insurance Trust Fund: An expendable trust fund used to account for deductions from employees' salaries which are utilized to pay unemployment compensation claims as they arise.

**C. Basis of Accounting – Measurement Focus**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements*: The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting while the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting – Measurement Focus (Continued)**

accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transactions 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**D. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. They are submitted to the county office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

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

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 1,168,491
Adjustments:	
Less Encumbrances at June 30, 2012	-
Plus Encumbrances at June 30, 2011	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 1,168,491</u>

**E. Encumbrances Accounting**

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 revenues 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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

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

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

**F. Assets, Liabilities, and Equity**

**Interfund Transactions:**

Transfers between governmental and business-type activities on the Charter School-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund Transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

**Prepaid Expenses:**

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & computer equipment	5-10

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Net Assets:

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

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances in accordance with N.J.S.A. 18:F7.

Revenues — Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales in the Enterprise Fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**Allocation of Indirect Expenses:**

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Management Estimates:

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

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

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

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

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

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

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

**Investments**

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

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

As of June 30, 2012, cash and cash equivalents of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 1,353,237</u>	<u>\$ -</u>	<u>123,074</u>	<u>\$ 45,593</u>	<u>\$ 1,521,904</u>

The Charter School had no investments at June 30, 2012.

The carrying amount of the Board's cash and cash equivalents at June 30, 2012 was \$1,521,904 and the bank balance was \$1,958,890. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Risk Category**

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

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

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

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

As of June 30, 2012, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2012, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 466,264	\$ 466,812
Federal Aid	579,300	621,885
Other	-	-
Gross Receivables	<u>1,045,564</u>	<u>1,088,697</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$ 1,045,564</u></u>	<u><u>\$ 1,088,697</u></u>

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2012:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 214,750	\$ 6,915
Special Revenue Fund		204,388
Proprietary Fund	48,594	42,599
Fiduciary Fund		<u>9,442</u>
Total	<u><u>\$ 263,344</u></u>	<u><u>\$ 263,344</u></u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 73,647	\$ 269,927	\$ 343,574
Totals at Historical Cost	<u>73,647</u>	<u>269,927</u>	<u>343,574</u>
<i>Less Accumulated Depreciation For:</i>			
Machinery and Equipment	42,031	34,862	76,893
Total Accumulated Depreciation	<u>42,031</u>	<u>34,862</u>	<u>76,893</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	31,616	235,065	266,681
Government Activity Capital Assets, Net	<u>\$ 31,616</u>	<u>\$ 235,065</u>	<u>\$ 266,681</u>
<b>Business-Type Activities:</b>			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 38,600	\$ 13,486	\$ 52,086
Less Accumulated Depreciation	(14,619)	(6,353)	(20,972)
Enterprise Fund Capital Assets, Net	<u>\$ 23,981</u>	<u>\$ 7,133</u>	<u>\$ 31,114</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Instructional	\$ 17,342
Administration	3,118
Support	<u>14,402</u>
Total	<u>\$ 34,862</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 6: RENTAL LEASE**

The school leases classroom and office space at 276 Wasbush Avenue, Paterson, New Jersey. The lease is for sixty (60) months commencing June 1, 2007 and expiring on June 30, 2012 with an option to renew for one (1) period, consisting of five (5) years. From July 1, 2012 to June 30, 2017, the annual rent is \$1,054,000. Real estate taxes are additional payments. Total lease payments made for the two locations during the year ended June 30, 2012 was \$2,771,629 which includes first and second amendments of the base lease amount of \$563,900, and rent expenses at \$20,733 for a one month rental of a building. Future minimum lease payments are as follows:

<b>Year Ended August 31,</b>	<b>Amount</b>
2012	\$ 1,054,000
2013	1,054,000
2014	1,054,000
2015	1,054,000
2016	1,054,000
2017	1,054,000
Total future minimum lease payments	\$ 6,324,000

In addition, the school leases classroom and office space at 764 Eleventh Avenue, Paterson, New Jersey under a lease agreement for five years commencing July 1, 2011 and ending June 30, 2015. The lease requires annual rental payments as follows:

<b>Year Ended</b>	<b>Amount</b>
2012	\$ 1,390,500
2013	1,442,000
2014	1,493,500
2015	1,545,000

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 7: PENSION PLANS**

**Description of Plans**

All required employees of the school are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which 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, P.O. Box 295, Trenton, New Jersey, 08625.

**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 noncontributing 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 was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A 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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 7: PENSION PLANS (continued)**

**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:66 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 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for 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 two percent 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.

**Significant Legislation**

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 7: PENSION PLANS (CONTINUED)**

**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 five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$97,474	100%	\$97,474
6/30/11	61,146	100%	61,146
6/30/10	46,732	100%	46,732

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$274,585	100%	\$274,585
6/30/11	169,812	100%	169,812
6/30/10	143,849	100%	143,849

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 8: POST-RETIREMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

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

**Property and Liability Insurance**

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 9: RISK MANAGEMENT (continued)**

**New Jersey Unemployment Compensation Insurance**

The charter school has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the charter school is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The charter school is billed quarterly for amounts due to the State. The table is summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust fund for the current year:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	2,096	\$ 81,148	\$ 79,706	\$ 3,538
2010-2011	2,366	158,425	158,695	2,096
2009-2010	1,700	28,479	27,813	2,366

**NOTE 10: FUND BALANCE APPROPRIATED**

**General Fund**

Of the \$2,066,599 General Fund balance at June 30, 2012, \$2,066,599 is unreserved and undesignated.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 1,435,158	\$ -	\$ 1,435,158	\$ 1,495,442	\$ 60,284
<b>Total Local Levy Budget</b>	<b>1,435,158</b>	<b>-</b>	<b>1,435,158</b>	<b>1,495,442</b>	<b>60,284</b>
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	10,433,246		10,433,246	11,838,989	1,405,743
Special Education Aid	387,472		387,472	164,840	(222,632)
Security Aid	400,513		400,513	395,813	(4,700)
Other State Aid				9,166	9,166
<b>Total Categorical Aid</b>	<b>11,221,231</b>	<b>-</b>	<b>11,221,231</b>	<b>12,408,808</b>	<b>1,187,577</b>
Revenues From Other Sources:					
Interest Income	2,500		2,500	373	(2,127)
Miscellaneous Revenue				8,174	8,174
On-Behalf TPAF Pension Contributions/Medical Benefits (Non-Budgeted)				274,585	274,585
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				419,418	419,418
<b>Total Revenues From Other Sources</b>	<b>2,500</b>	<b>-</b>	<b>2,500</b>	<b>702,550</b>	<b>700,050</b>
<b>Total Revenues</b>	<b>12,658,889</b>	<b>-</b>	<b>12,658,889</b>	<b>14,606,800</b>	<b>1,947,911</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	4,595,250	(64,983)	4,530,267	4,302,344	227,923
Other Salaries for Instruction	560,350	90,158	650,508	562,069	88,439
Purchased Prof/Tech Services	347,300	(16,206)	331,094	174,015	157,079
Other Purchased Services	157,069		157,069	141,267	15,802
General Supplies	355,152	5,000	360,152	292,364	67,788
Textbooks	338,768	30,000	368,768	308,323	60,445
Miscellaneous	39,500	18,570	58,070	55,802	2,268
<b>Total Instruction</b>	<b>6,393,389</b>	<b>62,539</b>	<b>6,455,928</b>	<b>5,836,184</b>	<b>619,744</b>
Administration:					
Salaries - General Administration	\$ 642,272		\$ 642,272	\$ 640,539	\$ 1,733
Salaries of Secretarial/Clerical Assistants	370,580		370,580	326,603	43,977
Total Benefits Cost	1,638,430	180,000	1,818,430	1,610,411	208,019
Purchases Prof/Tech Services	180,100	8,162	188,262	171,410	16,852
Other Purchased Services	127,964		127,964	78,776	49,188
Supplies and Materials	45,000	11,838	56,838	56,838	-
Miscellaneous Expenses	41,680		41,680	29,853	11,827
<b>Total Administration</b>	<b>3,046,026</b>	<b>200,000</b>	<b>3,246,026</b>	<b>2,914,430</b>	<b>331,596</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Support Services:					
Salaries	1,829,287	(58,487)	1,770,800	1,591,996	178,804
Purchased Prof/Ed Services	30,000	11,106	41,106	41,106	-
Purchased Prof/Tech Services	40,320	20,000	60,320	43,247	17,073
Rental of Land and Buildings	2,771,633		2,771,633	2,771,629	4
Other Purchased Services	387,657	57,316	444,973	431,038	13,935
Transportation-Other Than To/From School	23,200	29,983	53,183	53,183	-
Insurance for Property, Liability and Fidelity	66,000	199	66,199	66,199	-
Supplies and Materials	87,000	40,082	127,082	104,407	22,675
Energy Costs (Heat and Electricity)	275,000	(30,199)	244,801	227,586	17,215
Miscellaneous Expenses	10,000		10,000	3,322	6,678
<b>Total Support Services</b>	<b>5,520,097</b>	<b>70,000</b>	<b>5,590,097</b>	<b>5,333,713</b>	<b>256,384</b>
Capital Outlay:					
Instructional Equipment		55,000	55,000	44,180	10,820
Non-Instructional Equipment	30,000	27,000	57,000	56,783	217
Miscellaneous Expenses	36,000	34,000	70,000	69,995	5
<b>Total Capital Outlay</b>	<b>66,000</b>	<b>116,000</b>	<b>182,000</b>	<b>170,958</b>	<b>11,042</b>
On-Behalf TPAF Pension Contributions/Medical Benefits (Non-Budgeted)				274,585	(274,585)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				419,418	(419,418)
<b>Total Expenditures</b>	<b>15,025,512</b>	<b>448,539</b>	<b>15,474,051</b>	<b>14,949,288</b>	<b>524,763</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,366,623)	(448,539)	(2,815,162)	(342,488)	2,472,674
<b>FUND BALANCE, JULY 1</b>	<b>2,409,087</b>	<b>-</b>	<b>2,409,087</b>	<b>2,409,087</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 42,464</b>	<b>\$ (448,539)</b>	<b>\$ (406,075)</b>	<b>\$ 2,066,599</b>	<b>\$ 2,472,674</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 42,464	\$ (448,539)	\$ (406,075)	\$ 2,066,599	\$ 2,472,674
<b>Total</b>	<b>\$ 42,464</b>	<b>\$ (448,539)</b>	<b>\$ (406,075)</b>	<b>\$ 2,066,599</b>	<b>\$ 2,472,674</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	1,293,323		1,293,323	1,168,491	(124,832)
<b>Total Revenues</b>	<b>1,293,323</b>	<b>-</b>	<b>1,293,323</b>	<b>1,168,491</b>	<b>(124,832)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	203,531		203,531	203,531	-
Salaries of Teachers	65,700		65,700	65,502	198
Purchased Prof/Tech Services	168,478		168,478	168,478	-
Other Purchased Services	-		-	-	-
General Supplies	298,265		298,265	294,099	4,166
Other Objects	658		658	-	658
<b>Total Instruction</b>	<b>736,632</b>	<b>-</b>	<b>736,632</b>	<b>731,610</b>	<b>5,022</b>
Support Services:					
Salaries	123,060		123,060	38,700	84,360
Other Salaries	-		-	-	-
Personal Services - Employee Benefits	53,502		53,502	53,502	-
Purchased Prof/Ed Services	71,601		71,601	59,818	11,783
Purchased Professional Services	246,376		246,376	225,659	20,717
Purchased Property Services	-		-	-	-
Other Purchased Services	10,512		10,512	10,512	-
Supplies and Materials	25,308		25,308	22,783	2,525
Miscellaneous Expenditures	-		-	-	-
<b>Total Support Services</b>	<b>530,359</b>	<b>-</b>	<b>530,359</b>	<b>410,974</b>	<b>119,385</b>
Facilities Acquisition and Construction Services:					
Instructional Equipment	26,332		26,332	25,907	425
<b>Total Facilities Acquisition and Construction Services</b>	<b>26,332</b>	<b>-</b>	<b>26,332</b>	<b>25,907</b>	<b>425</b>
<b>Total Expenditures</b>	<b>1,293,323</b>	<b>-</b>	<b>1,293,323</b>	<b>1,168,491</b>	<b>124,832</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

***NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Note to RSI  
 Fiscal Year Ended June 30, 2012

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>			
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 14,606,800		[C-2] \$ 1,168,491
Difference - Budget to GAAP			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	_____		-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>14,606,800</u>		[B-2] \$ <u>1,168,491</u>
<b>Uses/Outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 14,949,288		[C-2] \$ 1,168,491
Differences - Budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	_____		-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>14,949,288</u>		[B-2] \$ <u>1,168,491</u>

***OTHER SUPPLEMENTAL INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

*The Special Revenue Fund is used to account for the proceeds of specific sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.*

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Special Revenue Fund  
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
 For the Fiscal Year Ended June 30, 2012

	NCLB Title I	NCLB Title I Carryover	I.D.E.A. Part B	I.D.E.A. Part B Carryover	ARRA Title I	NCLB Title II	NCLB Title II Carryover	Grand Total
<b>REVENUE SOURCES:</b>								
Federal	\$ 540,141	\$ 398,877	\$ 141,445	\$ 17,175	\$ 54,013	\$ 9,994	\$ 6,846	\$ 1,168,491
Total Revenues	540,141	398,877	141,445	17,175	54,013	9,994	6,846	1,168,491
<b>EXPENDITURES:</b>								
Instruction:								
Salaries	141,531		62,000					203,531
Salaries of Teachers	65,502							65,502
Purchased Prof/Tech Services	84,258		67,045	17,175				168,478
General Supplies		294,099						294,099
Total Instruction	291,291	294,099	129,045	17,175	-	-	-	731,610
Support Services:								
Salaries	38,700							38,700
Personal Services - Employee Benefits		41,102	12,400					53,502
Purchased Prof/Ed Services	202,747	40,919				9,994	5,913	259,573
Other Purchased Prof/Tech Services	4,280				25,904			30,184
Other Purchased Services		4,030			2,202			6,232
Supplies and Materials	3,123	18,727					933	22,783
Total Support Services	248,850	104,778	12,400	-	28,106	9,994	6,846	410,974
Facilities Acquisition and Construction Services:								
Instructional Equipment					25,907			25,907
Total Facilities Acquisition and Construction Services	-	-	-	-	25,907	-	-	25,907
Total Expenditures	540,141	398,877	141,445	17,175	54,013	9,994	6,846	1,168,491
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUND  
DETAIL STATEMENTS**

*Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.*

*Food Services Fund – The fund provides for the operation of food services in all schools within the school district.*

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND B-6.**

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENT**

***Fiduciary Funds are used to account for funds received by the school for a specific purpose.***

***Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.***

***Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.***

***Student Activity Fund – This agency fund is used to account for student funds held at the schools.***

***Payroll Fund – this agency fund is used to account for payroll transactions of the school district.***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Fiduciary Funds

Combining Statement of Fiduciary Net Assets

As of June 30, 2012

	Agency				Total
	Trust	Payroll Agency	Net Payroll	Student Activities	Agency Fund
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 3,538	\$ 6,371	\$ 3,071	\$ 32,613	\$ 42,055
Total Assets	<u>3,538</u>	<u>6,371</u>	<u>3,071</u>	<u>32,613</u>	<u>42,055</u>
<b>LIABILITIES:</b>					
Interfund Accounts Payable Due to Student Groups	\$ -	\$ 6,371	\$ 3,071	\$ -	\$ 9,442
Total Liabilities	<u>-</u>	<u>6,371</u>	<u>3,071</u>	<u>32,613</u>	<u>32,613</u>
<b>NET ASSETS:</b>					
Reserved for Unemployment Claims	<u>3,538</u>				
Total Net Assets	<u>\$ 3,538</u>				

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**Trust Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Unemployment Compensation Insurance
ADDITIONS:	
Contributions	\$ 81,148
Total Additions	81,148
DEDUCTIONS:	
Payment of Claims	79,706
Total Deductions	79,706
CHANGE IN NET ASSETS	1,442
NET ASSETS - BEGINNING OF THE YEAR	2,096
NET ASSETS - END OF THE YEAR	\$ 3,538

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

## Fiduciary Funds

## Student Activity Agency Fund

## Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
School Activities	\$ 10,727	\$ 93,771	\$ 71,885	\$ 32,613
Total	<u>\$ 10,727</u>	<u>\$ 93,771</u>	<u>\$ 71,885</u>	<u>\$ 32,613</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
**Fiduciary Funds**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ (24,374)	\$ 3,064,082	\$ 3,033,337	\$ 6,371
Interfund Accounts Receivable	41,434	-	41,434	-
<b>Total Assets</b>	<b>\$ 17,060</b>	<b>\$ 3,064,082</b>	<b>\$ 3,074,771</b>	<b>\$ 6,371</b>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 17,060	\$ 6,371	\$ 17,060	\$ 6,371
Payroll Deductions and Withholdings	-	3,057,711	3,057,711	-
<b>Total Liabilities</b>	<b>\$ 17,060</b>	<b>\$ 3,064,082</b>	<b>\$ 3,074,771</b>	<b>\$ 6,371</b>

**STATISTICAL SECTION (UNAUDITED)**

***Paterson Charter School for Science and Technology has been in operation for ten (10) years. GASB requires that ten years of statistical data be presented.***

**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the charter school's financial performance and well being have changed over time.

**Revenue Capacity (Not Applicable To Charter School)**

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

**Debt Capacity**

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

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the district provides and the activities it performs.

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning in that year.*

***FINANCIAL TRENDS***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Net Assets by Component  
 Last Nine Fiscal Years  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities									
Invested in capital assets, net of related debt	\$ (203,448)	\$ 31,616	\$ 14,765	\$ 20,163	\$ 23,089	\$ 26,016	\$ 30,022	\$ -	\$ -
Restricted				-		-	1,855		32,531
Unrestricted	2,536,728	2,409,087	1,843,645	1,273,368	212,470	148,886	273,538	1,285	75,275
Total Governmental Activities Net Assets	<u>\$ 2,333,280</u>	<u>\$ 2,440,703</u>	<u>\$ 1,858,410</u>	<u>\$ 1,293,531</u>	<u>\$ 235,559</u>	<u>\$ 174,902</u>	<u>\$ 305,415</u>	<u>\$ 1,285</u>	<u>\$ 107,806</u>
Business-Type Activities									
Invested in capital assets, net of related debt	\$ 23,770	\$ 24,795	\$ 25,485	\$ 6,293	\$ 7,107	\$ 7,920	\$ 8,733	\$ -	\$ -
Restricted	166,871	98,035	69,578	23,212	4,352				
Total Business-Type Activities Net Assets	<u>\$ 190,641</u>	<u>\$ 122,830</u>	<u>\$ 95,063</u>	<u>\$ 29,505</u>	<u>\$ 11,459</u>	<u>\$ 7,920</u>	<u>\$ 8,733</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School-wide									
Invested in capital assets, net of related debt	\$ (179,678)	\$ 56,411	\$ 40,250	\$ 26,456	\$ 30,196	\$ 33,936	\$ 38,755	\$ -	\$ -
Restricted				-		-	1,855		32,531
Unrestricted	2,703,599	2,507,122	1,913,223	1,296,580	216,822	148,886	273,538	1,285	75,275
Total Charter School-wide Net Assets	<u>\$ 2,523,921</u>	<u>\$ 2,563,533</u>	<u>\$ 1,953,473</u>	<u>\$ 1,323,036</u>	<u>\$ 247,018</u>	<u>\$ 182,822</u>	<u>\$ 314,148</u>	<u>\$ 1,285</u>	<u>\$ 107,806</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Changes in Net Assets  
Last Nine Fiscal Years  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>									
Governmental Activities:									
Instruction	\$ 8,227,659	\$ 5,362,000	\$ 3,802,801	\$ 3,530,643	\$ 3,097,642	\$ 2,282,461	\$ 1,610,191	\$ 819,446	\$ 823,113
Administration	1,607,357	1,354,972	1,479,913	1,151,129	919,035	885,638	587,560	356,746	346,355
Support Services	6,120,760	4,332,206	2,553,882	2,246,026	1,680,601	1,453,521	1,015,769	696,245	500,235
Capital Outlay	(73,062)	32,507	50	63,296	-	-	-	-	44,519
Total Governmental Activities Expenses	<u>15,882,714</u>	<u>11,081,685</u>	<u>7,836,646</u>	<u>6,991,094</u>	<u>5,697,278</u>	<u>4,621,620</u>	<u>3,213,520</u>	<u>1,872,437</u>	<u>1,714,222</u>
Business-Type Activities:									
Food Service	592,179	386,212	209,060	160,911	155,230	176,375	112,451	48,258	34,892
Total Business-Type Activities Expenses	<u>592,179</u>	<u>386,212</u>	<u>209,060</u>	<u>160,911</u>	<u>155,230</u>	<u>176,375</u>	<u>112,451</u>	<u>48,258</u>	<u>34,892</u>
Total Charter School Expenses	<u>\$ 16,474,893</u>	<u>\$ 11,467,897</u>	<u>\$ 8,045,706</u>	<u>\$ 7,152,005</u>	<u>\$ 5,852,508</u>	<u>\$ 4,797,995</u>	<u>\$ 3,325,971</u>	<u>\$ 1,920,695</u>	<u>\$ 1,749,114</u>
<b>Program Revenues</b>									
Governmental Activities:									
Operating Grants and Contributions	\$ 164,840	\$ 192,700	\$ 156,625	\$ 93,675	\$ 101,505	\$ 125,880	\$ 121,287	66,251	-
Total Governmental Activities Expenses	<u>164,840</u>	<u>192,700</u>	<u>156,625</u>	<u>93,675</u>	<u>101,505</u>	<u>125,880</u>	<u>121,287</u>	<u>66,251</u>	<u>-</u>
Business-Type Activities:									
Charges for Services	\$ 155,352	\$ 132,222	\$ 53,469	\$ 19,636	\$ 17,321	\$ 16,685	\$ 2,974	930	-
Operating Grants and Contributions	504,413	280,704	209,891	155,357	125,104	123,381	82,523	39,873	23,253
Total Business-Type Activities Expenses	<u>659,765</u>	<u>412,926</u>	<u>263,360</u>	<u>174,993</u>	<u>142,425</u>	<u>140,066</u>	<u>85,497</u>	<u>40,803</u>	<u>23,253</u>
Total Charter School Program Revenues	<u>\$ 824,605</u>	<u>\$ 605,626</u>	<u>\$ 419,985</u>	<u>\$ 268,668</u>	<u>\$ 243,930</u>	<u>\$ 265,946</u>	<u>\$ 206,784</u>	<u>\$ 107,054</u>	<u>\$ 23,253</u>
<b>Net (Expense)/Revenue</b>									
Governmental Activities	\$ (15,717,874)	\$ (10,888,985)	\$ (7,680,021)	\$ (6,897,419)	\$ (5,595,773)	\$ (4,495,740)	\$ (3,092,233)	\$ (1,806,186)	\$ (1,714,222)
Business-Type Activities	67,586	26,714	54,300	14,082	(12,805)	(36,309)	(26,954)	(7,455)	(11,639)
Total Charter School-wide Net Expense	<u>\$ (15,650,288)</u>	<u>\$ (10,862,271)</u>	<u>\$ (7,625,721)</u>	<u>\$ (6,883,337)</u>	<u>\$ (5,608,578)</u>	<u>\$ (4,532,049)</u>	<u>\$ (3,119,187)</u>	<u>\$ (1,813,641)</u>	<u>\$ (1,725,861)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental Activities:									
General Purposes	\$ -	\$ -	\$ -	\$ -	\$ 1,284,588	\$ 799,123	\$ 529,677	\$ 214,950	\$ 253,906
Federal and State Aid Not Restricted	15,601,904	11,439,501	8,242,866	7,942,844	4,353,301	3,550,190	2,807,355	1,466,771	1,525,543
Tuition Revenue	-	-	-	-	-	-	-	360	-
Investment Earnings	373	-	-	-	-	-	-	-	-
Miscellaneous Income	8,174	30,817	236	10,518	18,541	15,914	37,881	17,584	99,274
Total Governmental Activities	<u>15,610,451</u>	<u>11,470,318</u>	<u>8,243,102</u>	<u>7,953,362</u>	<u>5,656,430</u>	<u>4,365,227</u>	<u>3,374,913</u>	<u>1,699,665</u>	<u>1,878,723</u>
Business-Type Activities:									
Miscellaneous Income	\$ 225	\$ 1,053	\$ 11,258	\$ 3,964	\$ 16,344	\$ 35,496	\$ 26,141	7,455	11,639
Total Business-Type Activities	<u>225</u>	<u>1,053</u>	<u>11,258</u>	<u>3,964</u>	<u>16,344</u>	<u>35,496</u>	<u>26,141</u>	<u>7,455</u>	<u>11,639</u>
Total Charter School-wide	<u>\$ 15,610,676</u>	<u>\$ 11,471,371</u>	<u>\$ 8,254,360</u>	<u>\$ 7,957,326</u>	<u>\$ 5,672,774</u>	<u>\$ 4,400,723</u>	<u>\$ 3,401,054</u>	<u>\$ 1,707,120</u>	<u>\$ 1,890,362</u>
<b>Change in Net Assets</b>									
Governmental Activities	\$ (107,423)	\$ 581,333	\$ 563,081	\$ 1,055,943	\$ 60,657	\$ (130,513)	\$ 282,680	\$ (106,521)	\$ 164,501
Business-Type Activities	67,811	27,767	65,558	18,046	3,539	(813)	(813)	-	-
Total Charter School	<u>\$ (39,612)</u>	<u>\$ 609,100</u>	<u>\$ 628,639</u>	<u>\$ 1,073,989</u>	<u>\$ 64,196</u>	<u>\$ (131,326)</u>	<u>\$ 281,867</u>	<u>\$ (106,521)</u>	<u>\$ 164,501</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,855	\$ -	\$ 32,531	\$ -
Unreserved	2,066,599	2,409,087	1,818,923	1,239,037	212,470	148,886	273,538	1,285	75,275	(56,696)
Total General Fund	<u>\$ 2,066,599</u>	<u>\$ 2,409,087</u>	<u>\$ 1,818,923</u>	<u>\$ 1,239,037</u>	<u>\$ 212,470</u>	<u>\$ 148,886</u>	<u>\$ 275,393</u>	<u>\$ 1,285</u>	<u>\$ 107,806</u>	<u>\$ (56,696)</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Changes in Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues:</b>										
Local Sources:										
Local Tax Levy	\$ 1,495,442	\$ 1,107,102	\$ 887,692	\$ 859,164	\$ 1,284,588	\$ 799,123	\$ 529,677	\$ 214,950	\$ 253,906	\$ -
Tuition								360		
Interest in Investments	373	960	1,798	2,029						
Miscellaneous	8,174	30,817	236	10,518	18,541	15,914	37,881	17,584	99,274	25,000
State Sources	13,102,811	9,649,515	7,265,934	6,790,411	4,028,567	3,371,879	2,710,387	1,294,206	1,454,659	80,716
Federal Sources	1,168,491	875,584	245,865	386,944	426,239	304,191	218,255	238,816	70,884	
<b>Total Revenues</b>	<b>15,775,291</b>	<b>11,663,978</b>	<b>8,401,525</b>	<b>8,049,066</b>	<b>5,757,935</b>	<b>4,491,107</b>	<b>3,496,200</b>	<b>1,765,916</b>	<b>1,878,723</b>	<b>105,716</b>
<b>Expenditures:</b>										
Instruction	6,567,794	4,279,997	3,092,141	3,052,805	2,675,880	1,975,147	1,403,521	692,877	750,654	18,748
Administration	3,608,433	2,858,190	2,241,661	1,760,079	1,407,728	1,242,765	858,475	544,866	429,601	83,138
Support Services	5,744,687	3,903,120	2,497,396	2,146,319	1,610,743	1,399,702	960,096	634,694	489,448	46,270
Capital Outlay	196,865	32,507	24,772	63,296					44,519	21,337
<b>Total Expenditures</b>	<b>16,117,779</b>	<b>11,073,814</b>	<b>7,855,970</b>	<b>7,022,499</b>	<b>5,694,351</b>	<b>4,617,614</b>	<b>3,222,092</b>	<b>1,872,437</b>	<b>1,714,222</b>	<b>169,493</b>
<b>Net Change in Fund Balance</b>	<b>\$ (342,488)</b>	<b>\$ 590,164</b>	<b>\$ 545,555</b>	<b>\$ 1,026,567</b>	<b>\$ 63,584</b>	<b>\$ (126,507)</b>	<b>\$ 274,108</b>	<b>\$ (106,521)</b>	<b>\$ 164,501</b>	<b>\$ (63,777)</b>

Source: Charter School records

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 General Fund - Other Local Revenue by Source  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	After School Tutoring	Donations	Prior Year Refunds	Investment Earnings	Miscellaneous Revenue	Annual Total
2012	\$ -	\$ -	\$ -	\$ 373	8,174	\$ 8,547
2011			2,633	960	25,817	26,777
2010					236	236
2009					10,518	10,518
2008					18,541	18,541
2007					15,914	15,914
2006		6,584			31,297	37,881
2005	360	7,800			9,784	17,944
2004		99,274				99,274
2003						-

**Source: Charter School records**

***OPERATING INFORMATION***

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Full-Time Equivalent Charter School Employees by Function  
 Last Ten Fiscal Years

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Instruction	87	58	48	45	39	35	28	19	19	N/A
Administrative	4	4	4	5	7	9	7	4	4	N/A
Support Services	65	40	36	31	17	12	7	6	6	N/A
Food Service	3	1	1	1	1	1	1	1	1	N/A
<b>Total</b>	<b>159</b>	<b>103</b>	<b>89</b>	<b>82</b>	<b>64</b>	<b>57</b>	<b>43</b>	<b>30</b>	<b>30</b>	<b>-</b>

**Source: Charter School Personnel Records**

N/A = Not Available

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 Operating Statistics  
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2012	1,038	\$ 15,920,914	\$ 15,338	4.33%	87	1:12	1:12	1037.7	969	27.72%	98.12%	
2011	751	11,041,307	14,702	6.07%	58	1:13	1:13	750.1	736	-0.53%	0.00%	
2010	565	7,831,198	13,861	13.13%	48	1:12	1:12	565	N/A	13.20%	95.95%	
2009	568	6,959,203	12,252	6.08%	45	1:12	1:12	568	545	17.24%	92.09%	
2008	493	5,694,351	11,550	2.06%	39	1:12	1:12	493	454	19.85%	100.00%	
2007	408	4,617,614	11,318	15.91%	35	1:12	1:12	408	408	52.29%	89.60%	
2006	330	3,222,092	9,764	-18.65%	28	1:8	1:8	327	293	0.00%	91.03%	
2005	156	1,872,437	12,003	12.14%	19	1:8	1:8	156	142	0.00%	0.00%	
2004	156	1,669,703	10,703	0.00%	19			156	142	0.00%	0.00%	
2003		148,156	-	0.00%							0.00%	

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
 School Building Information  
 Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Charter School Building</b>										
<u>Elementary</u>										
Square Feet	66,300	19,138								N/A
Capacity (students)	564	180								N/A
Enrollment	556	176								N/A
<u>High School/Middle School</u>										
Square Feet	103,000	66,213	66,213	66,213	66,213	66,213	50,000	11,000	11,000	N/A
Capacity (students)	504	588	588	588	504	420	336	180	180	N/A
Enrollment	482	575	561	568	493	408	330	156	156	N/A

Number of Schools at June 30, 2012  
 Elementary = 1 (Grades K-6)  
 High School/Middle School = 1 (Grades 7-12)

**Source: Charter School Facilities Office**

Note: Increases in square footage and capacity are the result of additions.  
 Enrollment is based on the annual final Charter School count.

N/A = Not Available

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Insurance Schedule  
June 30, 2012

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
<b>"ALL Risk"</b>	\$925,000	Business Personal Property w/ \$1,000 Deductible
	\$2,500	Deductible
	\$100,000	Business Income and Extra Expense
	\$275,000	EDP Equipment and Media
	\$1,000	Deductible
	\$10,000	Arson Reward
	\$250,000	Pollutant Cleanup and Removal
	\$10,000	Fire Department Service Charge
	\$10,000	Property of Others
	\$10,000,000	Valuable Papers
	\$15,000	Emergency Vacating Expense
	\$2,500	Identity Theft Expense
	\$1,000,000	Terrorist Travel Reimbursement
	\$250	Temporary Meeting Space Reimbursement
	\$1,000	Workplace Violence Counseling
	\$1,000	Kidnap/Ransom
	\$2,500	Lease Cancellation Moving Expenses
\$25,000	Accounts Receivable	
\$1,000	Fire Extinguisher Recharge	
\$1,000	Lock Replacement	
\$5,000	Reward Reimbursement	
\$50,000	Property in Transit	
<b>General Liability</b>	\$6,000,000	Each Occurrence Limit
	\$6,000,000	General Aggregate Per Job
	\$6,000,000	Products/Completed Operations Aggregate Per Job
	\$1,000,000	Personal Injury and Advertising Injury
	\$1,000,000	Each Occurrence
	\$6,000,000	Abuse and Molestation - Per Person
	\$17,000,000	Abuse and Molestation - Aggregate Per Policy Period
	\$100,000	Fire Legal Liability (Any One Fire)
	\$1,000	Each Occurrence for Personal Injury/Advertising Injury
	\$5,000	Medical Expense (Any One Person)
<b>Automobile Liability</b>	\$6,000,000	Combined Single Limit Per Occurrence for Bodily Injury and Property Damage for Hired/Non Owned Automobiles
<b>Employee Benefits Liability</b>	\$1,000,000	Each Occurrence
<b>Directors and Officers Liability</b>	\$100,000	Each Occurrence
	\$5,000	Retention (Deductible)

**Source: Charter School's Records**

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Insurance Schedule  
June 30, 2012

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
<b>Employment Practices Liability</b>	\$1,000,000 \$5,000	Each Occurrence Retention (Deductible)
<b>Umbrella</b>	\$2,000,000 \$10,000	Each Occurrence Retention (Deductible)
<b>Crime</b>	\$167,000 \$1,000 \$5,000 \$500	Employee Theft Deductible Forgery or Alteration Deductible
<b>Student Accident</b>	\$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000	School Time Interscholastic Football 9-12 Field Trips Motor Vehicles All Interscholastic Sports

Source: Charter School's Records

***SINGLE AUDIT SECTION***

**BARRE & COMPANY**  
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**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  
Paterson Charter School for Science and Technology  
County of Passaic  
Paterson, New Jersey

We have audited the financial statements of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated September 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

**Internal Control over Financial Reporting**

Management of the Charter School is responsible for establishing and maintaining effective internal 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 and Regulatory Compliance, Department of Education, State of New Jersey.

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



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

September 4, 2012

**BARRE & COMPANY**  
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**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  
Paterson Charter School for Science and Technology  
County of Passaic  
Paterson, New Jersey

**Compliance**

We have audited the compliance of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal state programs for the year ended June 30, 2012. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Charter School'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; the audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that 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 federal state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

In our opinion, the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

### **Internal Control over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control 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 non compliance 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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. The Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Charter School's responses and, accordingly, we express no opinion on the responses.

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

A handwritten signature in black ink, appearing to read 'R. Barre', with a large, stylized flourish above the name.

Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

September 4, 2012

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June, 30, 2012

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2011	Prior Year Deferred Revenue	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2012	
				From	To								Accounts Receivable	Deferred Revenue
<b>U.S. Department of Education</b>														
Special Revenue Fund:														
Title I Part A	84 010	NCLB750312	\$ 904,139	9/1/11	8/31/12	\$ -	\$ -	\$ -	\$ (519,733)	\$ -	\$ -	\$ -	\$ (196,740)	\$ -
Title I Part A Carryover	84 010	NCLB750311	402,886	9/1/10	8/31/11	(155,650)	-	143,196	(266,449)	-	-	-	(278,903)	-
Title I Part A Carryover	84 010	NCLB750310	389,724	9/1/09	8/31/10	(211,650)	4,450	359,976	(152,837)	-	-	-	(61)	-
Title I Part A Carryover	84 010	NCLB750309	397,096	9/1/08	8/31/09	(8,760)	-	8,734	(9,994)	-	-	-	(26)	-
Title II	84 367	NCLB750312	9,994	9/1/11	8/31/12	(1,252)	-	2,504	(5,913)	-	-	-	(9,994)	-
Title II Part A Carryover	84 367	NCLB750312	5,913	9/1/10	8/31/11	(3,370)	-	3,370	(5,913)	-	-	-	(4,661)	-
Title II Part A Carryover	84 367	NCLB750311	11,289	9/1/10	8/31/11	(891)	-	891	-	-	-	-	-	-
Title II Part A Carryover	84 367	NCLB750310	12,372	9/1/08	8/31/09	(696)	-	696	(933)	-	-	-	(933)	-
Title II Part D	84 318	NCLB750312	933	9/1/11	8/31/12	(2,549)	-	2,549	-	-	-	-	-	-
Title II Part D Carryover	84 318	NCLB750312	4,421	9/1/08	8/31/09	484	-	-	-	-	-	484	-	-
Title II Part D Carryover	84 318	NCLB750311	1,936	9/1/07	8/31/08	-	-	-	-	-	-	-	-	-
Title IV	84 186	NCLB750312	-	9/1/11	8/31/12	(1,850)	-	1,850	-	-	-	-	-	-
Title IV Carryover	84 186	NCLB750311	5,908	9/1/09	8/31/10	422	-	-	-	-	-	422	-	-
Title IV Carryover	84 186	NCLB750310	5,620	9/1/09	8/31/10	292	-	-	-	-	-	292	-	-
Title V Carryover	84 298	NCLB750310	1,462	9/1/08	8/31/09	-	-	-	-	-	-	-	-	-
I.D.E.A. Part B Basic	84 027	IDEA750312	141,445	9/1/11	8/31/12	(93,765)	-	98,745	(141,445)	-	-	-	(42,700)	-
I.D.E.A. Part B Basic Carryover	84 027	IDEA750311	110,940	9/1/10	8/31/11	(22,680)	-	93,764	(17,175)	-	-	-	(17,176)	-
I.D.E.A. Part B Basic Carryover	84 027	IDEA750311	107,595	9/1/10	8/31/11	-	-	22,680	-	-	-	-	-	-
ARRA - I.D.E.A. Part B	84 391	IDEA750312	-	7/1/11	8/31/12	(160,859)	-	160,859	-	-	-	-	-	-
ARRA - I.D.E.A. Part B Carryover	84 391	IDEA750311	245,754	7/1/11	8/31/12	(187,291)	(4,450)	217,648	(54,013)	-	-	-	(28,106)	-
ARRA - Title I	84 391	IDEA750312	20,072	7/1/11	8/31/12	(20,072)	-	20,072	-	-	-	-	-	-
ARRA - Title I SIA	84 391	IDEA750311	20,072	7/1/11	8/31/12	(870,137)	-	1,460,527	(1,168,492)	-	-	1,198	(579,300)	-
Total Special Revenue Fund														
<b>U.S. Department of Agriculture</b>														
Passed-through State Department of Education														
Enterprise Fund:														
National School Breakfast Program	10 553	N/A	112,939	7/1/11	6/30/12	(5,767)	-	103,557	(112,939)	-	-	-	(9,382)	-
National School Breakfast Program Carryover	10 553	N/A	55,700	7/1/10	6/30/11	-	-	5,767	-	-	-	-	-	-
National School Lunch Program	10 555	N/A	339,724	7/1/11	6/30/12	(15,972)	-	314,403	(339,724)	-	-	-	(25,320)	-
National School Lunch Program Carryover	10 555	N/A	216,352	7/1/10	6/30/11	-	-	15,972	-	-	-	-	-	-
National School Snack Program	10 558	N/A	58,301	7/1/11	6/30/12	(1,335)	-	53,576	(58,301)	-	-	-	(4,725)	-
National School Snack Program Carryover	10 558	N/A	20,838	7/1/10	6/30/11	-	-	1,335	-	-	-	-	-	-
Total Enterprise Fund						(23,074)	-	494,610	(510,964)	-	-	-	(39,427)	-
Sub-Total Federal Financial Awards						\$ (893,211)	\$ -	\$ 1,955,137	\$ (1,679,456)	\$ -	\$ -	\$ 1,198	\$ (618,727)	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June, 30, 2012

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2011			Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	Balance at June 30, 2012			MEMO
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	
<b>State Department of Education:</b>													
General Fund:													
"Local Levy" State Share - Charter School Ak	12-495-034-5120-071	\$ 11,838,989	7/1/11 6/30/12	\$ -	\$ -	\$ -	\$ 11,838,989	\$ (11,838,989)	\$ -	\$ -	\$ -	\$ -	\$ 11,838,989
Special Education Aid	12-495-034-5120-089	164,840	7/1/11 6/30/12				164,840	(164,840)					164,840
Security Aid	12-495-034-5120-084	395,813	7/1/11 6/30/12				395,813	(395,813)					395,813
Other State Aid		9,166	7/1/11 6/30/12				9,166	(9,166)					9,166
On Behalf TPAF Pension Contributions	12-495-034-5095-006	274,585	7/1/11 6/30/12				274,585	(274,585)					274,585
Reimbursed TPAF - Social Security	12-495-034-5095-002	419,418	7/1/11 6/30/12				419,520	(419,418)			102	(102)	419,418
Total General Fund				(16,413)			13,119,326	(13,102,811)			102	(102)	13,102,811
<b>State Department of Agriculture</b>													
Enterprise Fund:													
National School Lunch Program (State Share)	12-100-010-3350-023	7,451	7/1/11 6/30/12				6,903	(7,451)		(548)			7,451
National School Lunch Program (State Share)	11-100-010-3350-023	4,495	7/1/10 6/30/11	(357)			357					4,138	
Total Enterprise Fund				(501)			7,404	(7,451)		(548)		5,343	7,451
Total State Financial Assistance				(16,914)			\$ 13,126,730	\$ (13,110,262)		(548)	\$ 102	\$ 5,241	\$ 13,110,262

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Notes to the Schedules of Expenditures  
of Awards and Financial Assistance  
June 30, 2012

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Notes to the Schedules of Expenditures  
of Awards and Financial Assistance  
June 30, 2012

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to GAAP basis is none for the general fund and none for the special revenue fund. See *Note 1* (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 fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 13,102,811	\$ 13,102,811
Special Revenue Fund	1,168,491		1,168,491
Food Service Fund	487,889	7,320	495,209
Total Awards & Financial Assistance	<u>\$ 1,656,380</u>	<u>\$ 13,110,131</u>	<u>\$ 14,766,511</u>

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

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

**NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING**

Paterson Charter School for Science and Technology has no loan balances outstanding at June 30, 2012.

**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

2) Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

2) Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Type of auditors’ 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 state programs:

CFDA Number(s)	Name of Federal Program
<u>84.010</u>	<u>Title I Part A</u>
<u>84.010</u>	<u>Title I Part A Carryover</u>
<u>10.553</u>	<u>National School Breakfast Program</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>10.555</u>	<u>National School Lunch Program Carryover</u>

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

**Section I – Summary of Auditor’s Results (Continued)**

**State Awards**

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

Auditee qualified as low-risk auditee?  X  Yes     No

Internal control over major programs:

    1) Material weakness(es) identified?     Yes  X  No

    2) Significant deficiencies identified that are not considered to be material weaknesses?     Yes  X  None Reported

Type of auditors’ report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?     Yes  X  No

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
12-495-034-5120-071	Local Levy – State Share
12-495-034-5120-084	Security Aid

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

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***Section II –Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

**Finding**

There were no matters reported.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

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***Section III – Federal Awards and State Financial Assistance  
Findings and Questioned Costs***

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

**FEDERAL AWARDS**

**Findings**

There were no matters reported.

**STATE AWARDS**

**Findings**

There were no matters reported.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY**

Summary Schedule of Prior Year Audit Findings  
And Questioned Costs As Prepared by Management  
For the Fiscal Year Ended June 30, 2012

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**STATUS OF PRIOR YEAR FINDINGS**

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 Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

**Findings**

There were no matters reported.