

GREAT OAKS



CHARTER SCHOOLS

Great oaks, from little acorns grow



**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2013

PREPARED BY

GREAT OAKS CHARTER SCHOOL

**GREAT OAKS CHARTER SCHOOL
JUNE 30, 2013**

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

Letter of Transmittal	1-9
Organizational Chart.....	10
Roster of Officials.....	11
Consultants and Advisors	12

FINANCIAL SECTION

Independent Auditors Report.....	13-15
---	--------------

Required Supplementary Information – Part I

Management’s Discussion and Analysis	16-23
--	-------

Basic Financial Statements

A. Charter School-Wide Financial Statements:

A-1 Statement of Net Position	24
A-2 Statement of Activities	25

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet.....	26
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	27
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28

Proprietary Funds:

B-4 Balance Sheet.....	29
B-5 Statement of Revenues, Expenditures, and Changes in Fund Net Assets	30
B-6 Statement of Cash Flows	31

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position.....	32
B-8 Statement of Changes in Fiduciary Net Position.....	33

**GREAT OAKS CHARTER SCHOOL
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>Page No.</u>
Notes to the Basic Financial Statements	34-56
 Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund.....	57
C-2 Budgetary Comparison Schedule – Special Revenue Fund	58
 Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation.....	59
 Other Supplementary Information	
D. School Level Schedules:.....	Not Applicable
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures Budgetary Basis	60
F. Capital Projects Fund:.....	Not Applicable
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Statement of Net Position	61
G-2 Statement of Revenues, Expenses and Changes in Fund Net Position.....	62
G-3 Statement of Cash Flows	63
H. Fiduciary Fund:	
H-1 Combining Statement of Fiduciary Net Position.....	64
H-2 Combining Statement of Changes in Fiduciary Net Position.....	65
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	66
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....	67

**GREAT OAKS CHARTER SCHOOL
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>Page No.</u>
I. Long - Term Debt:	Not Applicable
Introduction to the Statistical Section (Unaudited)	
Financial Trends	
J-1 Net Assets by Component	68
J-2 Changes in Net Assets/Net Position	69
J-3 Fund Balances – Governmental Funds	70
J-4 Changes in Fund Balances – Governmental Funds	71
J-5 General Fund Other Local Revenue by Source	72
Revenue Capacity	
J-6 to J-9	Not Applicable
Debt Capacity	
J-10 Ratios of Outstanding Debts by Type.....	73
J-11 to J-13	Not Applicable
Demographic and Economic Information	
J-14 Demographics and Economic Statistics.....	74
J-15 Principal Employers.....	75
Operating Information	
J-16 Full-time Equivalent Charter School Employees by Function/Program	76
J-17 Operating Statistics	77
J-18 School Building Information	78
J-19 Schedule of Required Maintenance Expenditures by School Facility.....	79
J-20 Insurance Schedule	80
Charter School Performance Framework Financial Indicators	
J-21 Near Term Indicators/Sustainability Ratios.....	81

**GREAT OAKS CHARTER SCHOOL
JUNE 30, 2013**

TABLE OF CONTENTS

Page No.

SINGLE AUDIT SECTION

K-1	Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82-83
K-2	Independent Auditor’s Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State of New Jersey OMB Circular 04-04	84-86
K-3	Schedule of Expenditures of Federal Awards	87
K-4	Schedule of Expenditures of State Financial Assistance	88
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.....	89-90
K-6	Schedule of Findings and Questioned Costs	91-93
K-7	Summary Schedule of Prior Audit Findings.....	94

GREAT OAKS



CHARTER SCHOOLS

Great oaks, from little acorns grow

21 Eagle Street, Newark, NJ 07102 * Telephone (973) 917 4286

November 25, 2013

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of Great Oaks Charter School (the “Charter School”) for the year ended June 30, 2013.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Great Oaks Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

The Comprehensive Annual Financial Report is presented in four sections: **introductory, financial, statistical** and **single audit**. The introductory section includes this transmittal letter, the Charter School’s organizational chart and the list of principal officials. The financial section includes the independent auditor’s report, MD&A and the basic financial statements including the Charter School-Wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and the required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented for the proceeding ten years.

New Jersey Department of Education
The Commissioner
Page 2

During the fiscal year ended June 30, 2013, the Charter School is required to undergo an annual State of New Jersey single audit in conformity with the provisions of the and the New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*" Information related to this State of New Jersey single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

The Charter School is an open-admission, tuition-free public school option for 6th through 12th graders. Our mission is to prepare our students to **succeed in college**. The Charter School is located in Newark, New Jersey. The Charter School is inspired by the successful program at the MATCH School in Boston, Massachusetts along with other high-performing college-preparatory charter schools. MATCH is a middle and high school serving a high needs population – 93% minority, 77% living below the poverty line – with consistent success 99% of the students who've graduated from MATCH over the last 7 years have been accepted into four-year colleges and last year was ranked by *Newsweek* as the 51st best high school in the country. MATCH succeeds by combining high academic expectations with personal attention to the needs of each student.

The name of the school comes from a phrase first attributed to Chaucer nearly 650 years ago – "Great oaks, from little acorns grow." It is our conviction that a school must grow to become a part of the community it wishes to serve. The Charter School will be a place for growth in three key ways: First and foremost, we will help our students to gain the skills, knowledge and habits of mind to succeed in college. Second, we will help our teachers and staff to grow and develop as educators. Finally, our school community – parents, grandparents, extended family members, trustees, staff and students – will grow and become a presence in the Newark, New Jersey neighborhood where we will put down roots.

2) ENROLLMENT OUTLOOK

In its second period of operation, the Charter School served 200 students in grades 6-8 and we will go on to add a grade each year to serve 331 students in grades 6-10 by the fourth year of its initial charter. After the Charter School's renewal review, the school will go on to grow to a full-scale enrollment of 463 students in Grades 6 to 12, with its first cohort to graduate in the spring of 2017.

The Charter School's approach is distinctive in several key ways:

- ***Tight-knit small school:*** Grade cohorts of 66 and a full-scale size of 463 will allow us to develop an intimate community, where every student feels known and cared about.
- ***Effective teachers:*** We will budget the funds to attract the best staff with competitive salaries.
- ***More time on task.*** Our school day will run from 7:50 am to 5:30 pm and our Summer Academy for students who failed a course the year prior will run for 5 weeks during summer vacation.
- ***High expectations*** for each of our students. Students must earn a 70% to pass a course and every student will be required to take Advanced Placement courses and to enroll in a college course during their senior year.

3) ECONOMIC CONDITION AND OUTLOOK

The Charter School is located in the City of Newark, New Jersey which is the largest city in the State. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway System, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross Blue Shield of New Jersey, as well as the State's largest public utility company - Public Service Electric and Gas Company (PSE&G).

Newark is the site of the Rutgers University School of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

3) ECONOMIC CONDITION AND OUTLOOK – CONTINUED

The City of Newark has been obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of the redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. As our enrollment increases we plan to lease additional facilities at our current location and possibly in surrounding areas in the City.

4) MAJOR INITIATIVES

The Charter School has made a commitment to serving all students, especially the highest needs students, and is committed to continuous self-evaluation and improvement in our outreach to the Newark students most in need of a rigorous college-preparatory middle and high school program. Our commitment is evident in all aspects of outreach and our educational program, including:

- All recruitment materials printed in English and Spanish
- Multiple methods of applying to the school – by mail, online, in person
- Blanket mailings to families in the ZIP codes surrounding the school location
- Certified Special Education Coordinator from first day of operation
- High-dosage daily tutoring that meets each student's individual needs
- Proactive parent phone calls that engage families and reduce mobility
- Application process aligned with tenets of equity and openness described in the Newark Charter School Compact

School-Wide, 81% of the Charter School's students qualify for free and reduced-price lunch; 4% of students are categorized as having Limited English Proficiency; and 7.5% of students are enrolled with an IEP. All three of those data points are comparable to our co-located school and lower than the Newark Public Schools average, though not outside the range of student populations observed in Newark, New Jersey.

4) MAJOR INITIATIVES – CONTINUED

We attribute this slight under-enrollment of the neediest populations to several factors. The first is the challenge of outreach to a population that is unaccustomed to the very presence of school choice. According to a survey of more than 16,000 Newark residents conducted by Rutgers, NYU and PENewark, 65% of Newark residents describe themselves as knowing “little or nothing” about charter schools.

When conducting student recruitment, the Charter School is not just publicizing our program, but must also educate families about school choice and battle misconceptions of charter schools.

An additional challenge in conducting pervasive student outreach in the startup period stems from the unique constraints of a startup school. For one, outreach is expensive and new schools lack any dependable source of resources to use for student recruitment. The Charter School was able to secure philanthropic funding to cover modest student mailings and to post billboards, but much of our early recruiting was via hand-to-hand flyers and word-of-mouth – a challenge for a school without a reputation city-wide.

A similar constraint was the absence of a secure facility to use as a part of advertising. Newarkers rely heavily on public transportation - 44% of households in Newark do not have a car, according to the U.S. Census. Location is a vital consideration for those families without private transportation and the Charter School was unable to confirm its co-location until late-June, which created challenges for low-income families concerned about travel to and from school.

For the 2012-13 school year, our outreach has been broader, more targeted to the neighborhoods surrounding our school and intended to generate a high-level of interest among the most underserved populations in the city. We have engaged current students’ families to leverage their personal networks to boost word-of-mouth applicants, as well as conducting an extensive mailing effort – more than 5,000 flyers – conducting Open Houses at Great Oaks, posting billboards around Newark, going to area district and charter schools to meet with families, and conducting hand-to-hand outreach at busy intersections around Newark. We are currently working with the Newark Public Schools to produce targeted mailing to public school students in the grades that we offer; which we expect would have a high degree of success in reaching the student populations we most want to serve.

5) INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining internal control 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 system of internal control 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 awards and state financial assistance, the Charter School also is responsible for ensuring that adequate system of internal controls is in place to ensure compliance with applicable laws and regulations related to those programs. This system of internal control is also subject to periodic evaluation by the Charter School's management.

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

6) 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 the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the 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 period end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2013.

The year 2012-2013 is our second audit period. The Charter School made efforts during the period to thoroughly review its operational processes and procedures in order to prepare for the audit and on maintaining general compliance with sound fiscal practices.

7) ACCOUNTING SYSTEM AND REPORT

The Charter School’s accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school.

The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in “Notes to the Financial Statements”, Note 1.

8) FINANCIAL STATEMENT INFORMATION

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 schedule presents a summary of the revenue sources for General and Special Revenue Funds for the year ended June 30, 2013:

**Summary of the General Fund
and Special Revenue Fund Revenues**

	<u>2013</u>	<u>2012</u>	<u>Variance Increase/ (Decrease)</u>	<u>Percentage Variance</u>
Local sources	\$ 494,547	\$ 423,256	\$ 71,291	16.8%
State sources	2,700,172	1,913,307	786,865	41.1%
Federal sources	378,015	21,677	356,338	1643.9%
	<u>\$ 3,572,734</u>	<u>\$ 2,358,240</u>	<u>\$ 1,214,494</u>	1701.8%

2013 was the Charter School’s second period of operations. The increase of 41% in state revenue is consistent with the increase in enrollment from 167 to 200 by adding 8th grade in the second year. The significant increase in federal revenue was due to a new federal grant; AmeriCorps; that was approved for the Charter School in 2013.

8) FINANCIAL STATEMENT INFORMATION – CONTINUED

The following schedule presents a summary of the expenditures of the General and Special Revenue Funds for the year ended June 30, 2013:

**Summary of the General Fund
and Special Revenue Fund Expenditures**

	<u>2013</u>	<u>2012</u>	<u>Variance Increase/ (Decrease)</u>	<u>Percentage Variance</u>
Instruction	\$ 1,377,177	\$ 680,486	\$ 696,691	102.4%
Support services	1,420,442	1,020,347	400,095	39.2%
Unallocated employee benefits	226,879	114,261	112,618	98.6%
Capital outlay	-	23,000	(23,000)	-100.0%
	<u>\$ 3,024,498</u>	<u>\$ 1,838,094</u>	<u>\$ 1,186,404</u>	64.5%

2013 was the Charter School’s second year of operations. The general increase in total expenditures of about 64% is consistent with the increase in enrollment from 167 to 200 by adding 8th grade in the second year.

9) CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by state statute as detailed in the “Notes to the Financial Statements”. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

10) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation.

11) **OTHER INFORMATION**

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or Registered Municipal Accountants. The Charter School appointed the accounting firm of BCA Watson Rice LLP, Certified Public Accountants and Advisors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the New Jersey OMB Circular Letter 04-04 "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*" During the fiscal year ended June 30, 2013, the Charter School's federal expenditures did not meet the dollar threshold required for it to be subject to the provision of the Single Audit Act and the related OMB Circular A-133 *Compliance Supplements*.

The auditor's report on the basic financial statements, is included in the financial section of this report. The auditor's reports related specifically to the State of New Jersey single audit are included in the single audit section of this report.

The 2012-2013 school year (our second period) was one of great strides in terms of academic achievement at the Charter School. In addition, the period was marked by expected levels of parental involvement. Lastly, the Charter School continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the Charter School's operations, and particularly in the area of student achievement.

12) **ACKNOWLEDGMENTS**

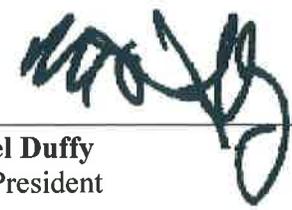
A note of appreciation is extended to the Finance Committee of the Charter School for their support and commitment to fiscal integrity and to the Great Oaks Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,



Jared Tallefer
Chief Executive Officer



Michael Duffy
Board President

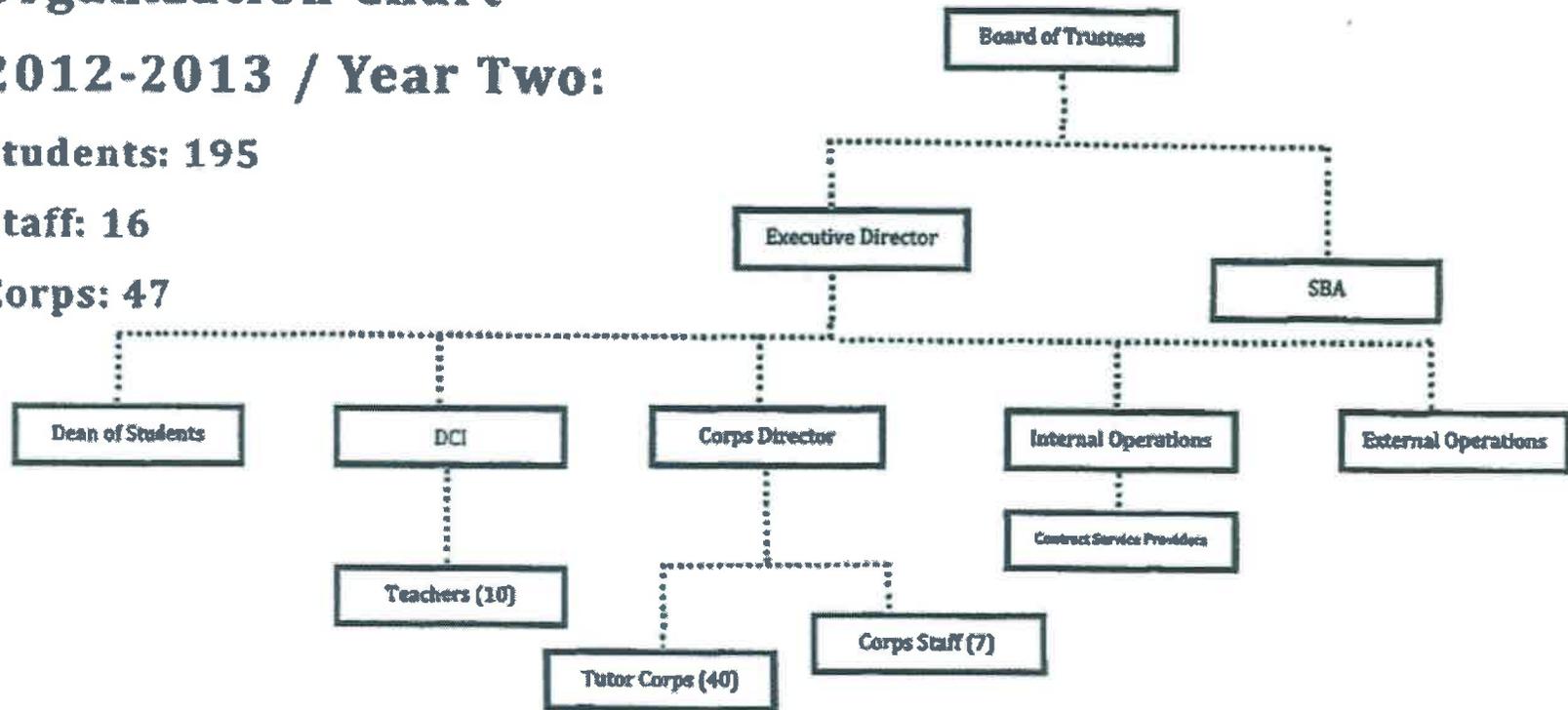
Great Oaks Charter School Organization Chart

2012-2013 / Year Two:

Students: 195

Staff: 16

Corps: 47



ROSTER OF TRUSTEES AND OFFICERS

JUNE 30, 2013

Members of Board of Trustees

Michael Duffy	Board President
Dr. Karma Warren	Vice President
Brian Nevel	Board Treasurer
Rich Hernandez, Esq.	Board Member
Anthony Lockett	Board Member
Rana Khan	Board Member
Willis Edwards	Board Member

Administration

Jared Taillefer	Chief Executive Officer
Olugbenga Olabintan, CPA	School Business Administrator

GREAT OAKS CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

BCA Watson Rice LLP
Certified Public Accountants and Advisors
301 Route 17 North
Rutherford, NJ 07070

Attorney

Cohen Schneider & O'Neill LLP
Attorneys at Law
275 Madison Avenue
New York, NY 10016

Official Depository

Chase Bank
744 Broad Street
Newark, NJ 07102

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Great Oaks Charter School
Newark, New Jersey
County of Essex

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees Great Oaks Charter School, (the "Charter School") in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Charter School management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Auditor's Responsibility – Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 16 through 23 and *Budgetary Comparison Information* on pages 57 through 59 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 schedules of expenditures of federal awards and state financial assistance as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Other Matters – Continued

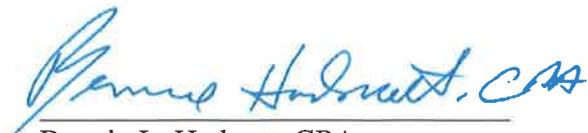
Other Information – Continued

The accompanying schedules of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



Bennie L. Hadnott, CPA
Licensed Public School Accountant
No. 20CS00247800



BCA Watson Rice LLP
Certified Public Accountant and Advisors

Rutherford, New Jersey
November 25, 2013

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

**GREAT OAKS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Introduction

This section of Great Oaks Charter School's (the "Charter School") Comprehensive Annual Financial Report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- Net position of governmental activities ended the fiscal year with \$1,033,216. Net position of business-type activities, which represent food service operations, ended the fiscal year with \$-0-.
- General revenues accounted for \$3,170,475 in revenue or 88.7% of total revenues of \$3,572,734. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$402,259 or 11.3% of total revenues.
- The Charter School had \$3,035,998 in expenses related to governmental activities; \$402,259 of these expenses is offset by operating grants and contributions. General revenues (primarily state aid) of \$2,700,172 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2013, of \$1,033,216.

GREAT OAKS CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Charter School as a financial whole, or as an entire operating entity. The first two basic financial statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Great Oaks Charter School, the General Fund is the most significant fund.

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

Proprietary fund statements offer short and long-term financial information about the activities, the government operates like a business, such as food service.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Reporting the Charter School as a Whole

Statement of Net Position and Statement of Activities

While this report contains the fund 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 asks the question, "how did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

GREAT OAKS CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Statement of Net Position and Statement of Activities-continued

These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statement of Net Position and the Statement of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations is reported as a business-type activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's major fund—not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. 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 statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less 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 Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

**GREAT OAKS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve, over time, as useful indicator of a governmental reporting entity's financial position. In the case of the Charter School, assets exceeded liabilities by \$1,033,216 at the close of 2013. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Acvtivities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current Assets	\$ 1,117,981	\$ 573,293	\$ 10,588	\$ 36,775	\$ 1,128,569	\$ 610,068
Capital Assets, net	-	11,500	-	-	-	11,500
Total Assets	<u>1,117,981</u>	<u>584,793</u>	<u>10,588</u>	<u>36,775</u>	<u>1,128,569</u>	<u>621,568</u>
Liabilities						
Current Liabilities	<u>84,765</u>	<u>69,887</u>	<u>10,588</u>	<u>38,415</u>	<u>95,353</u>	<u>108,302</u>
Total Liabilities	<u>84,765</u>	<u>69,887</u>	<u>10,588</u>	<u>38,415</u>	<u>95,353</u>	<u>108,302</u>
Net Position						
Invested in						
Capital Assets (net of related debt)	-	11,500	-	-	-	11,500
Unrestricted	<u>1,033,216</u>	<u>503,406</u>	<u>-</u>	<u>(1,639)</u>	<u>1,033,216</u>	<u>501,767</u>
Total Net Position	<u>\$ 1,033,216</u>	<u>\$ 514,906</u>	<u>\$ -</u>	<u>\$ (1,639)</u>	<u>\$ 1,033,216</u>	<u>\$ 513,267</u>

**GREAT OAKS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

The Charter School as a Whole – Continued

The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School increased by \$519,949 during the current fiscal year ended June 30, 2013. The entire increase is attributable to a surplus of \$1,033,216 in the General Fund. Operating grants and contributions decreased by 7% due to decrease in the private foundation monies received in 2013.

The table that follows reflects the change in net assets for fiscal year 2013.

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and Contributions	402,259	484,008	122,303	80,007	524,562	564,015
Total Program Revenues	402,259	484,008	122,303	80,007	524,562	564,015
General Revenues:						
Local Aid	464,168	232,623	-	-	464,168	232,623
Federal and State Aid	2,700,172	1,512,178	-	-	2,700,172	1,512,178
Miscellaneous	6,135	142,888	-	-	6,135	142,888
Transfers	(18,426)	(30,195)	18,426	30,195	-	-
Total general Revenues	3,152,049	1,857,494	18,426	30,195	3,170,475	1,887,689
Total Revenues	3,554,308	2,341,502	140,729	110,202	3,695,037	2,451,704
Expenses:						
Instructions	1,377,177	754,748			1,377,177	754,748
Administrative & Support Services	1,647,321	1,071,847	-	-	1,647,321	1,071,847
Unallocated Amortization	11,500	-	-	-	11,500	-
Food Service	-	-	139,090	111,842	139,090	111,842
Total Expenses	3,035,998	1,826,595	139,090	111,842	3,175,088	1,938,437
Change in Net Position	\$ 518,310	\$ 514,907	\$ 1,639	\$ (1,640)	\$ 519,949	\$ 513,267

**GREAT OAKS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2013.

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 1,377,177	\$ 1,009,035
Administrative & Support Services	1,647,321	1,613,204
Unallocated Depreciation	<u>11,500</u>	<u>11,500</u>
Total Expenses	<u>\$ 3,035,998</u>	<u>\$ 2,633,739</u>

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation. The program had revenues of \$140,729 (which includes a transfer from the General Fund of \$18,426 to cover deficit) and operating expenses of \$139,090 for fiscal year 2013. The Charter School intended to have food services be self-sustaining without assistance from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3,572,734 and expenditures of \$3,024,498. The positive change in fund balance for the period reflects that the Charter School was able to meet its current costs.

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

During the course of fiscal 2013, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$3,143,960, which included a local tax levy of \$466,455. Expenditures and other financing uses were budgeted at \$2,925,204. The Charter School anticipated budgeted fund balance of \$722,162 in its 2012-2013 budget year. General Fund revenues were lower than expenditures by \$529,810. Actual revenues and other financing sources were \$3,170,475 and expenditures were \$2,640,665.

**GREAT OAKS CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

The Charter School’s Funds – Continued

The State of New Jersey reimbursed the Charter School \$47,634 during the year ended June 30, 2013 for the employer’s share of social security contributions for TPAF members. This unbudgeted amount was included in both revenues and expenditures.

Capital Assets

At the end of year 2013, the Charter School had funds invested in capital assets in its governmental activities. The table below reflects year 2012 balances:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Leasehold improvements	\$ 23,000	\$ -
Less accumulated amortization	(23,000)	-
Totals	<u>\$ -</u>	<u>\$ -</u>

The Charter School’s 2013-2014 budget projects no spending for capital projects.

Long-term debt

At June 30, 2013, the Charter School did not have any long term debt.

Economic Factors and Next Year’s Budget

The State of New Jersey, and indeed the entire United States, continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2013-2014. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey’s Core Curriculum Content Standards. Amounts available for appropriation in the general fund budget are \$2,012,706. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

**GREAT OAKS CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – 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 reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

GREAT OAKS CHARTER SCHOOL
Business Office
24 Maiden Lane
Newark, New Jersey 07102

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

The Charter School Wide financial statements provide a financial overview of the Charter School's operations. The financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2013.

**GREAT OAKS CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2013**

A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 711,698	\$ -	\$ 711,698
Accounts receivable	367,759	9,743	377,502
Other current assets	38,524	-	38,524
Interfund receivables	-	845	845
Total Assets	<u>1,117,981</u>	<u>10,588</u>	<u>1,128,569</u>
Liabilities			
Accounts payable	49,366	10,588	59,954
Other liabilities	34,554	-	34,554
Interfunds payables	845	-	845
Total Liabilities	<u>84,765</u>	<u>10,588</u>	<u>95,353</u>
Net Position			
Unrestricted	<u>\$ 1,033,216</u>	<u>\$ -</u>	<u>\$ 1,033,216</u>

See independent auditor's report and accompanying notes to the basic financial statements.

GREAT OAKS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
<u>Instruction</u>						
Regular	\$ 1,377,177		\$ 368,142	\$ (1,009,035)		\$ (1,009,035)
<u>Administrative and Support Services</u>						
General administration	967,159		-	(967,159)		(967,159)
Support services	680,162		34,117	(646,045)		(646,045)
Capital outlay	-		-	-		-
Unallocated depreciation	11,500		-	(11,500)		(11,500)
Total Governmental Activities	<u>3,035,998</u>		<u>402,259</u>	<u>(2,633,739)</u>		<u>(2,633,739)</u>
Business-type Activities						
Food service	139,090	-	122,303	-	(16,787)	(16,787)
Total Business-type Activities	<u>139,090</u>	<u>-</u>	<u>122,303</u>	<u>-</u>	<u>(16,787)</u>	<u>(16,787)</u>
Total primary government	\$ <u>3,175,088</u>	\$ <u>-</u>	\$ <u>524,562</u>	(2,633,739)	(16,787)	(2,650,526)
General revenues, transfers and special items:						
Local sources				464,168	-	464,168
State sources				2,700,172	-	2,700,172
Miscellaneous				6,135	-	6,135
Transfers				(18,426)	18,426	-
Total general revenues, transfers and special items				<u>3,152,049</u>	<u>18,426</u>	<u>3,170,475</u>
Change in net position				518,310	1,639	519,949
Net position - beginning				514,906	(1,639)	513,267
Net position - ending				<u>\$ 1,033,216</u>	<u>\$ -</u>	<u>\$ 1,033,216</u>

See independent auditor's report and accompanying notes to the basic financial statements.

FUNDS FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**GREAT OAKS CHARTER SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

B-1

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 711,698	\$ -	\$ 711,698
Accounts receivable:			
State	197,936	-	197,936
Federal	-	169,823	169,823
Other current assets	38,524	-	38,524
Interfund receivable	168,978	-	168,978
Total Assets	<u>\$ 1,117,136</u>	<u>\$ 169,823</u>	<u>\$ 1,286,959</u>
Liabilities and Fund Balances			
<u>Liabilities</u>			
Interfund payables	\$ -	\$ 169,823	\$ 169,823
Accounts payables	49,366	-	49,366
Intergovernmental payables - federal	-	-	-
Intergovernmental payables - state	-	-	-
Intergovernmental payables - other	34,554	-	34,554
Total Liabilities	<u>83,920</u>	<u>169,823</u>	<u>253,743</u>
<u>Fund Balances</u>			
Unassigned	<u>1,033,216</u>	<u>-</u>	<u>1,033,216</u>
Total Liabilities and Fund Balances	<u>\$ 1,117,136</u>	<u>\$ 169,823</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	23,000
Accumulated depreciation	<u>(23,000)</u>
	<u>-</u>

Net position of governmental activities - A-1 \$ 1,033,216

See independent auditor's report and accompanying notes to the basic financial statements.

**GREAT OAKS CHARTER SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013**

B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources:			
Local tax levy	\$ 464,168	\$ -	\$ 464,168
Miscellaneous	6,135	24,244	30,379
Total Revenues - Local Sources	470,303	24,244	494,547
Federal sources	-	378,015	378,015
State sources	2,652,538	-	2,652,538
TPAF/FICA reimbursements	47,634	-	47,634
Total Revenues	<u>3,170,475</u>	<u>402,259</u>	<u>3,572,734</u>
Current expense:			
Instruction	1,009,035	368,142	1,377,177
Administrative	967,159	-	967,159
Support services	646,045	34,117	680,162
Capital outlay	-	-	-
Total Expenditures	<u>2,622,239</u>	<u>402,259</u>	<u>3,024,498</u>
Excess (deficiency) of revenues over (under) expenditures	548,236	-	548,236
Other financing sources (uses):			
Transfers out	(18,426)	-	(18,426)
Total Other Financing Sources(uses)	<u>(18,426)</u>	<u>-</u>	<u>(18,426)</u>
Net change in fund balances	529,810	-	529,810
Fund balances, beginning of year	<u>503,406</u>	<u>-</u>	<u>503,406</u>
Fund balances, end of year	<u>\$ 1,033,216</u>	<u>\$ -</u>	<u>\$ 1,033,216</u>

See independent auditor's report and accompanying notes to the basic financial statements.

PROPRIETARY FUNDS

**GREAT OAKS CHARTER SCHOOL
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013**

B-3

Total net change in fund balances - governmental funds (B-2) \$ 529,810

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Depreciation expense	\$ (11,500)	
Capital outlays	<u>-</u>	(11,500)

Change in net position of governmental activities (A-2)	<u><u>\$ 518,310</u></u>
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See independent auditor's report and accompanying notes to the basic financial statements.

**GREAT OAKS CHARTER SCHOOL
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

B-4

Assets

Accounts receivable:	
Federal	\$ 9,614
State	129
Interfund receivable	<u>845</u>
Total Assets	<u>10,588</u>

Liabilities

Accounts payable	<u>10,588</u>
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Net position

Unrestricted	<u>\$ -</u>
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See independent auditor's report and accompanying notes to the basic financial statements.

**GREAT OAKS CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2013**

B-5

Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Miscellaneous revenue	<u>-</u>
Total operating revenues	<u>-</u>
Operating expenses:	
Cost of sales	<u>139,090</u>
Total operating expenses	<u>139,090</u>
Operating loss	<u>(139,090)</u>
Non-operating revenues:	
State sources:	
State School Lunch Program	1,602
Federal sources:	
National School Lunch Program	69,164
National School Breakfast Program	30,523
After School Snacks	<u>21,014</u>
Total non-operating revenues	<u>122,303</u>
Net loss before contributions and transfers	(16,787)
Other financing sources:	
Transfer in - board contribution	<u>18,426</u>
	<u>18,426</u>
Change in net position	1,639
Net position (deficit)-beginning of year	<u>(1,639)</u>
Net position-end of year	<u>\$ -</u>

See independent auditor's report and accompanying notes to the basic financial statements.

**GREAT OAKS CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2013**

B-6

Cash Flows from Operating Activities	
Payments to food service vendor	\$ (170,924)
Net cash used in operating activities	<u>(170,924)</u>
Cash Flows from Noncapital Financing Activities	
Cash received from state reimbursements	1,564
Cash received from federal reimbursements	117,576
Operating subsidies and transfers from other funds	<u>21,589</u>
Net cash provided by noncapital financing activities	<u>140,729</u>
Cash Flows from Investing Activities	
	<u>-</u>
Net decrease in cash and cash equivalents	(30,195)
Cash and cash equivalents, beginning	<u>30,195</u>
Cash and cash equivalents, ending	<u><u>\$ -</u></u>
Cash Flows from Operating Activities	
Operating loss	\$ (139,090)
Adjustment to reconcile operating loss to net cash used in operating activities:	-
Changes in assets and liabilities:	-
Increase in accounts receivable	(3,163)
Increase in due to general fund	(30,149)
Increase in accounts payable	<u>1,478</u>
	<u>(31,834)</u>
Net cash used in operating activities	<u><u>\$ (170,924)</u></u>

See independent auditor's report and accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

**GREAT OAKS CHARTER SCHOOL
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY
 JUNE 30, 2013**

B-7

	Unemployment Insurance Trust	Agency Funds		Total
		Student Activity Fund	Agency Fund Payroll	
Assets				
Cash and cash equivalents	\$ -	\$ 670	\$ 42,512	\$ 43,182
Total Assets	-	670	42,512	43,182
Liabilities				
Payroll deductions and withholdings	-	-	42,512	42,512
Interfund payables	-	195	-	195
Account payable - due to students group	-	475	-	475
Total Liabilities	-	670	42,512	43,182
Net Position				
Unrestricted	\$ -	\$ -	\$ -	\$ -

See independent auditor's report and accompanying notes to the basic financial statements.

**GREAT OAKS CHARTER SCHOOL
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2013**

B-8

	Unemployment Insurance Trust
	<u> </u>
Additions:	
Board contributions	\$ 1,719
Employee contributions	<u>4,653</u>
Total additions	<u>6,372</u>
Deductions:	
Unemployment payments	<u>6,372</u>
Total deductions	<u>6,372</u>
Change in net position	-
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE CHARTER SCHOOL DISTRICT AND REPORTING ENTITY

Great Oaks Charter School (the "Charter School") was incorporated in the State of New Jersey on April 7, 2011 as a not-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an educational institution. The Charter School's Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing statutes, the Charter School's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. DESCRIPTION OF THE CHARTER SCHOOL DISTRICT AND REPORTING ENTITY – CONTINUED

Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. The Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Charter School is presented to assist in understanding the Charter School's financial statements. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

A. Basis of Presentation

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

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. Basis of Presentation – Continued

Charter School - Wide Financial Statements

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

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

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Fund Accounting

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

Governmental Funds

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

General Fund - The General Fund is the primary operating fund of the Charter School. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund.

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Fund Accounting – Continued

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2013, the Charter School did not have a Capital Projects Fund.

Proprietary Funds

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

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

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

Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Fund Accounting – Continued

Trust Funds – Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. *Basis of accounting* refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary funds are accounted for on an economic resources measurement focus. With this measurement focus, the accounting objectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Basis of Accounting

In the government-wide statement of net position and statements of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange transactions, is incurred (i.e. the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determine and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets, except for the special revenue fund which is prepared using a non-GAAP budgetary basis, 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. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Budgets/Budgetary Control – Continued

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. Cash, Cash Equivalent and Investments

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

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

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

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

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund receivable/payable interfund balances within governmental activities and within business-type activities are eliminated on the Government-Wide Statement of Net Position.

G. Prepaid Expenses

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

H. Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-Wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded using the straight-line method.

I. Compensated Absences

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

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Compensated Absences – Continued

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

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

The Charter School had no compensated absences as of June 30, 2013.

J. Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities, are reported on the Government-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. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K. Fund Balance

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. *Nonspendable* – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.

GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Fund Balance and Equity – Continued

2. *Restricted* – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
4. *Assigned* – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

L. Net Position

Net position represent the difference between assets and liabilities in the Government-Wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the Government-Wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The *Statement of Net Position* include the following:

Invested in Capital Assets, Net of Related Debt - the component of net position that reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

Restricted for Specific Purposes - the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Net Position – Continued

Unrestricted - the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Position Restricted for Specific Purposes or Net Position Restricted for Debt Service.

M. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

N. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the state of New Jersey for pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget.

3. DEPOSITS AND INVESTMENTS

New Jersey Statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that 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 (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey Statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected 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.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

3. DEPOSITS AND INVESTMENTS – CONTINUED

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. As of June 30, 2013, the Charter School’s carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Operating A/C	\$ 711,698	\$ -	\$ -	\$ 43,182	\$ 754,880

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2013, the Charter School’s carrying amount of deposits was \$754,880 and the bank balance was \$820,751. Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2013 were secured by federal deposit insurance and \$570,751 was covered by a collateral pool maintained by the bank as required by New Jersey Statutes in accordance with the New Jersey Governmental Unit Deposit protection Act (“GUDPA”).

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School’s name.

Category 2

Collateralized with securities held by the pledging public depository’s trust department or agent in the Charter School’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 Charter School’s name.

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments

New Jersey Statutes permit the Charter School to purchase the following types of securities:

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. 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.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2013, the Charter School did not hold any investments.

4. RECEIVABLES

Receivables as of June 30, 2013 consisted of accounts, intergovernmental, grants and miscellaneous items. All receivables are considered collectible in full. A summary of the principal items of intergovernmental and other receivables are as follows:

State aid	\$ 198,065
Federal aid	<u>179,437</u>
Total receivables	<u><u>\$ 377,502</u></u>

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

5. CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2013:

Governmental activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets, being depreciated:			
Leasehold improvements	\$ 23,000	\$ -	\$ 23,000
Total capital assets being depreciated	23,000	-	23,000
Less accumulated depreciation for:			
Leasehold improvements	11,500	11,500	23,000
Total accumulated depreciation	11,500	11,500	23,000
Total capital assets net	<u>\$ 11,500</u>	<u>\$ (11,500)</u>	<u>\$ -</u>

Depreciation expense of \$11,500 was charged to an unallocated function.

6. LEASE OBLIGATIONS

Facilities Leases

The Charter School leases its facilities under several operating lease agreements:

21 Eagles Street, Newark, New Jersey – a two year lease through July 31, 2013 covering 5,566 square foot space in year one at a monthly rent of \$2,914 (or \$34,968 per year) and 16,848 square foot of space in year two at a monthly rent of \$5,629 (or \$67,549 per year). The amount paid under this lease for the year ended June 30, 2013 was \$64,834. This lease expired after year end and was not renewed.

As part of its student college preparation model, the Charter School hires new college graduates on a full time basis (just for one year at a time). Part of the incentives for the tutors to work for one year is the provision of accommodation paid for by the Charter School. It currently has a lease for several units with a safe and secure apartment building in Newark, New Jersey for the use of the tutors. The amount paid under this lease for the year ended June 30, 2013 was \$280,117.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

6. LEASE OBLIGATIONS – CONTINUED

Facilities Leases – Continued

Minimum lease payments on facilities follow:

<u>Year</u>	<u>Amount</u>
2014	\$ 405,495
2015	56,833
Total	<u>\$ 462,328</u>

Equipment Leases

The Charter School leases office equipment (two copiers) under two operating lease agreements. For the year ended June 30, 2013, the Charter School incurred \$39,740 in equipment lease expenditures. Future minimum lease payments required under the operating leases are as follows:

<u>Year Ending June 30</u>	<u>Equipment Lease I</u>	<u>Equipment Lease II</u>	<u>Total</u>
2014	\$ 12,055	\$ 16,104	\$ 28,159
2015	12,055	16,104	28,159
2016	3,014	-	3,014
	<u>\$ 27,124</u>	<u>\$ 32,208</u>	<u>\$ 59,332</u>

7. PENSION PLANS

Description of Plans

Substantially all of the employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (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 Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

7. PENSION PLANS – CONTINUED

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 coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's 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 systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. 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, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 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 member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

7. PENSION PLANS – CONTINUED

Vesting and Benefit Provisions – Continued

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

Significant Legislation

P.L. 2011, c. 1, effective May 21, 2011, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/71th of the required amount, beginning in Fiscal Year 2013.

P.L. 2011, c.3, effective May 21, 2011, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

7. PENSION PLANS – CONTINUED

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

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

Actuarial Methods and Assumptions

In the June 30, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.64% for PERS, 6.64% for TPAF and 6.64% for DCRP of the employee's annual compensation.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

7. PENSION PLANS – CONTINUED

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

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

The Charter School's contribution to PERS for the year ended June 30, 2013 was \$-0-, being only the second year of operations. The Charter School will be billed for the employer's portion of PERS starting from the year ending June 30, 2014.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$47,634 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

8. POST RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contribution 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.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

8. POST RETIREMENT BENEFITS – CONTINUED

The State made post retirement (PRM) contributions of \$1.38 billion for TPAF for fiscal year 2010 and \$3.22 million for fiscal year 2008.

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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

9. COMPENSATED ABSENCES

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

The Charter School had no compensated absences as of June 30, 2013.

10. DEFERRED COMPENSATION

The Charter School is in the process of offering its employees a choice of deferred compensation plans created in accordance with Internal Revenue Section 403(b).

11. ECONOMIC DEPENDENCY

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

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

12. CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

13. RISK MANAGEMENT

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

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

14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 168,978	\$ -
Special Revenue Fund	-	169,823
Enterprise Fund	845	-
	<u>\$ 169,823</u>	<u>\$ 169,823</u>

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED**

14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – CONTINUED

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

15. SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events occurring through November 25, 2013, the date of the independent auditor's report, which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements except the following:

The Charter School increased enrollment by 67 students as of September 2013 for the 2013-2014 school-year by adding another grade – 9th grade pursuant to its charter.

Subsequent to June 30, 2013, the Charter School entered into two lease agreements for its School locations, details are as follows:

- 1) A 20-year lease for its current location at 24 Maiden Lane, Newark, New Jersey. This is an 18,935 square foot space for its middle school and administration offices with an annual rent of \$356,765; and
- 2) A 2-year lease for the property on 9-11 Hill Street, Newark, New Jersey, for the High School. This lease agreement covers 5,067 square feet for \$75,000 during SY2013-2014 and 10,134 square feet for \$175,000 during SY2014-2015.

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART II

BUDGETARY COMPARISON

GREAT OAKS CHARTER SCHOOL
GENERAL FUND
BUDGET COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2013

C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 466,455	\$ -	\$ 466,455	\$ 464,168	\$ (2,287)
Miscellaneous	-	-	-	6,135	6,135
Total revenues -local sources	466,455	-	466,455	470,303	3,848
State sources	2,677,505	-	2,677,505	2,652,538	(24,967)
TPAF-social security	-	-	-	47,634	47,634
Total revenues	3,143,960	-	3,143,960	3,170,475	26,515
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	489,000	107,000	596,000	592,096	3,904
Other salaries for instruction	386,000	(120,000)	266,000	246,013	19,987
Purchased professional technical services	27,000	-	27,000	7,875	19,125
Other purchased services	15,000	-	15,000	6,111	8,889
General educational supplies	142,200	(30,000)	112,200	90,672	21,528
Textbooks	10,000	30,000	40,000	20,277	19,723
Miscellaneous expenses	75,000	(15,000)	60,000	45,991	14,009
	1,144,200	(28,000)	1,116,200	1,009,035	107,165
Administrative cost:					
Salaries	456,000	3,000	459,000	441,480	17,520
Total benefit costs	236,138	64,000	300,138	226,879	73,259
Professional /Technical service	133,000	(35,000)	98,000	89,500	8,500
Other purchased services	70,912	40,000	110,912	100,048	10,864
Communications and Telephones	3,000	9,000	12,000	7,303	4,697
Supplies and materials	33,000	17,000	50,000	44,037	5,963
Miscellaneous expenses	10,500	-	10,500	10,278	222
	942,550	98,000	1,040,550	919,525	121,025
Support services:					
Salaries	140,000	(84,000)	56,000	56,000	-
Purchased prof/tech service	46,000	2,000	48,000	43,063	4,937
Other purchased services	80,000	26,000	106,000	99,939	6,061
Rent on land and buildings	390,600	(29,000)	361,600	356,840	4,760
Insurance-fidelity, liability property	33,354	-	33,354	18,146	15,208
Supplies and materials	18,000	21,000	39,000	35,093	3,907
Energy and Utilities	15,000	-	15,000	12,213	2,787
Miscellaneous expenses	1,000	-	1,000	-	1,000
Transportation other than to/from school	12,000	15,000	27,000	24,751	2,249
Food Services - transfer to cover deficit	-	19,000	19,000	18,426	574
Total support services	735,954	(30,000)	705,954	664,471	41,483
Capital outlay:					
Non-instructional equipment	25,000	(10,000)	15,000	-	15,000
Purchase land/improvements	75,000	(30,000)	45,000	-	45,000
Miscellaneous expenses	2,500	-	2,500	-	2,500
Total capital outlay	102,500	(40,000)	62,500	-	62,500
TPAF-Social Security	-	-	-	47,634	(47,634)
Total expenditures	2,925,204	-	2,925,204	2,640,665	284,539
Excess of revenues over expenditures					
	218,756	-	218,756	529,810	311,054
Net position, beginning of year					
	503,406	-	503,406	503,406	-
Net position, end of year					
	\$ 722,162	\$ -	\$ 722,162	\$ 1,033,216	\$ 311,054

GREAT OAKS CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGET COMPARISON SCHEDULE
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013

C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Federal sources	\$ 481,959	\$ -	\$ 481,959	\$ 378,015	\$ 103,944
Local sources	24,244	-	24,244	24,244	-
Total Revenues - All Sources	<u>506,203</u>	<u>-</u>	<u>506,203</u>	<u>402,259</u>	<u>103,944</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	415,512	-	415,512	333,062	(82,450)
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	44,716	-	44,716	35,080	(9,636)
Miscellaneous expenditures	-	-	-	-	-
Total Instruction	<u>460,228</u>	<u>-</u>	<u>460,228</u>	<u>368,142</u>	<u>(92,086)</u>
Support services					
Support services salaries	-	-	-	-	-
Employee benefits	11,858	-	11,858	-	(11,858)
Purchased professional services	29,866	-	29,866	29,866	-
Other purchased services	4,251	-	4,251	4,251	-
Supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total Support Services	<u>45,975</u>	<u>-</u>	<u>45,975</u>	<u>34,117</u>	<u>(11,858)</u>
Capital Outlay:					
Facilities acquisition and construction services					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 506,203</u>	<u>\$ -</u>	<u>\$ 506,203</u>	<u>\$ 402,259</u>	<u>\$(103,944)</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**GREAT OAKS CHARTER SCHOOL
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET TO GAAP RECONCILIATION
 YEAR ENDED JUNE 30, 2013**

C-3

		<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 3,170,475	
	[C-2]		\$ 402,259
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 reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u>\$ 3,170,475</u>	<u>\$ 402,259</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 2,640,665	
	[C-2]		\$ 402,259
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund		(18,426)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 2,622,239</u>	<u>\$ 402,259</u>

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

OTHER SUPPLEMENTARY INFORMATION

**SCHOOL BASED BUDGET SCHEDULES
NOT APPLICABLE FOR THE CHARTER SCHOOL**

SPECIAL REVENUE FUND

**GREAT OAKS CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2013**

E-1

	Title IA C/Year 2012-2013	Title IIA C/Year 2012-2013	I.D.E.A. C/Year 2012-2013	Americorps 2012-2013	Victoria Foundation	Newark's Future Grnt	Total
Revenues							
Federal sources	\$ 107,630	\$ 4,251	\$ 29,866	\$ 236,268	\$ -	\$ -	\$ 378,015
Local sources	-	-	-	-	7,167	17,077	24,244
Total Revenues - All Sources	<u>\$ 107,630</u>	<u>\$ 4,251</u>	<u>\$ 29,866</u>	<u>\$ 236,268</u>	<u>\$ 7,167</u>	<u>\$ 17,077</u>	<u>\$ 402,259</u>
Expenditures							
Instruction							
Salaries of teachers	\$ 72,550	\$ -	\$ -	\$ 236,268	\$ 7,167	\$ 17,077	\$ 333,062
Purchased Prof. and technical services	-	-	-	-	-	-	-
Other purchased services	-	-	-	-	-	-	-
General supplies	35,080	-	-	-	-	-	35,080
Miscellaneous expenditures	-	-	-	-	-	-	-
Total Instruction	<u>107,630</u>	<u>-</u>	<u>-</u>	<u>236,268</u>	<u>7,167</u>	<u>17,077</u>	<u>368,142</u>
Support services							
Support services salaries	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-
Purchased professional services	-	-	29,866	-	-	-	29,866
Other purchased services	-	4,251	-	-	-	-	4,251
Supplies	-	-	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-	-	-
Total Support Services	<u>-</u>	<u>4,251</u>	<u>29,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,117</u>
Total Expenditures	<u>\$ 107,630</u>	<u>\$ 4,251</u>	<u>\$ 29,866</u>	<u>\$ 236,268</u>	<u>\$ 7,167</u>	<u>\$ 17,077</u>	<u>\$ 402,259</u>

CAPITAL PROJECTS FUND
AT JUNE 30, 2013, THERE WAS NO
CAPITAL PROJECT FUND

PROPRIETARY FUNDS

ENTERPRISE FUND

**GREAT OAKS CHARTER SCHOOL
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

G-1

Assets

Accounts receivable:	
Federal	\$ 9,614
State	129
Interfund receivable - General Fund	<u>845</u>
Total Assets	<u>10,588</u>

Liabilities

Accounts payable	<u>10,588</u>
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Net position

Unrestricted	<u><u>\$ -</u></u>
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**GREAT OAKS CHARTER SCHOOL
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013**

G-2

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Miscellaneous revenue	-
Total operating revenues	<u>-</u>
Operating expenses:	
Cost of sales	<u>139,090</u>
Total operating expenses	<u>139,090</u>
Operating income (loss)	<u>(139,090)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	1,602
Federal sources:	
National School Lunch Program	69,164
National School Breakfast Program	30,523
After School Snacks	<u>21,014</u>
Total nonoperating revenues	<u>122,303</u>
Net income/(loss) before contributions & transfers	(16,787)
Other financing sources:	
Transfer in/(out) - board contribution	<u>18,426</u>
Change in net position	1,639
Net position (deficit)-beginning of year	<u>(1,639)</u>
Net position-end of year	<u>\$ -</u>

**GREAT OAKS CHARTER SCHOOL
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013**

G-3

Cash Flows from Operating Activities	
Payments to food service vendor	\$ (170,924)
Net cash used in operating activities	<u>(170,924)</u>
Cash Flows from Noncapital Financing Activities	
Cash received from state reimbursements	1,564
Cash received from federal reimbursements	117,576
Operating subsidies and transfers from other funds	<u>21,589</u>
Net cash provided by noncapital financing activities	<u>140,729</u>
Cash Flows from Investing Activities	
	<u>-</u>
Net decrease in cash and cash equivalents	(30,195)
Cash and cash equivalents, beginning	<u>30,195</u>
Cash and cash equivalents, ending	<u>\$ -</u>
Cash Flows from Operating Activities	
Operating loss	\$ (139,090)
Adjustment to reconcile operating loss to net cash used in operating activities:	-
Changes in assets and liabilities:	-
Increase in accounts receivable	(3,163)
Increase in due to general fund	(30,149)
Increase in accounts payable	<u>1,478</u>
	<u>(31,834)</u>
Net cash used in operating activities	<u>\$ (170,924)</u>

FIDUCIARY FUND

**GREAT OAKS CHARTER SCHOOL
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013**

H-1

	Unemployment Insurance Trust	Agency Funds		Total
		Student Activity Fund	Agency Fund Payroll	
Assets				
Cash and cash equivalents	\$ -	\$ 670	\$ 42,512	\$ 43,182
Total Assets	-	670	42,512	43,182
Liabilities				
Payroll deductions and withholdings	-	-	42,512	42,512
Interfund payables	-	195	-	195
Account payable - due to students group	-	475	-	475
Total Liabilities	-	670	42,512	43,182
Net Position				
Unrestricted	\$ -	\$ -	\$ -	\$ -

**GREAT OAKS CHARTER SCHOOL
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES
 IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2013**

H-2

	Unemployment Insurance Trust
Additions:	
Board contributions	\$ 1,719
Employee contributions	<u>4,653</u>
Total additions	<u>6,372</u>
Deductions:	
Unemployment payments	<u>6,372</u>
Total deductions	<u>6,372</u>
Change in net position	-
Net position, beginning	<u>-</u>
Net position, ending	<u>\$ -</u>

**GREAT OAKS CHARTER SCHOOL
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2013**

H-3

	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
Assets				
Parent council fund	\$ -	\$ 6,562	\$ 5,892	\$ 670
Liabilities				
Interfund payables	-	195	-	195
Account payable - due to students group	-	6,367	5,892	475
Total Liabilities	<u>\$ -</u>	<u>\$ 6,562</u>	<u>\$ 5,892</u>	<u>\$ 670</u>

**GREAT OAKS CHARTER SCHOOL
 PAYROLL AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2013**

H-4

	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
Assets				
Cash and cash equivalents	<u>\$ 81,623</u>	<u>\$ 1,864,770</u>	<u>\$ 1,903,881</u>	<u>\$ 42,512</u>
Liabilities				
Payroll deductions and withholdings	<u>\$ 81,623</u>	<u>\$ 1,864,770</u>	<u>\$ 1,903,881</u>	<u>\$ 42,512</u>

LONG TERM DEBT
AT JUNE 30, 2013,
THERE WAS NO LONG TERM DEBT.

STATISTICAL SECTION

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
NET ASSETS BY COMPONENT
LAST TWO FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

J-1

	Fiscal Year Ended June 30,	
	<u>2013</u>	<u>2012</u>
Governmental activities		
Invested in capital assets, net of related debt	\$ -	\$ 11,500
Restricted	-	-
Unrestricted	<u>1,033,216</u>	<u>503,406</u>
Total governmental activities net assets	<u>\$ 1,033,216</u>	<u>\$ 514,906</u>
Business-type activities		
Invested in capital assets, net of related debt	\$ -	\$ -
Restricted	-	-
Unrestricted	<u>-</u>	<u>(1,639)</u>
Total business-type activities	<u>\$ -</u>	<u>\$ (1,639)</u>
School-wide		
Invested in capital assets, net of related debt	\$ -	\$ 11,500
Restricted	-	-
Unrestricted	<u>1,033,216</u>	<u>501,767</u>
Total charter school net position	<u>\$ 1,033,216</u>	<u>\$ 513,267</u>

Notes

GASB requires that ten year of statistical data be presented. However, only two years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
CHANGES IN NET ASSETS/NET POSITION
LAST TWO FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

J-2

	Fiscal Year Ended June 30,	
	2013	2012
Expenses		
Governmental activities		
Instruction		
Regular	\$ 1,377,177	\$ 1,021,626
Support Services:		
General administration	967,159	698,894
School administrative services	632,528	94,575
On-behalf TPAF/FICA Reimbursements	47,634	-
Capital outlay	-	-
Unallocated depreciation	11,500	11,500
Total governmental activities expenses	<u>3,035,998</u>	<u>1,826,595</u>
Business-type activities:		
Food service	139,090	111,842
Child Care		
Total business-type activities expense	<u>139,090</u>	<u>111,842</u>
Total charter school expenses	<u>\$ 3,175,088</u>	<u>\$ 1,938,437</u>
Program Revenues		
Governmental activities:		
Charges for services:		
Operating grants and contributions	\$ 402,259	\$ 484,008
Capital grants and contributions	-	-
Total governmental activities program revenues	<u>402,259</u>	<u>484,008</u>
Business-type activities:		
Charges for services:		
Food service	-	-
Child care		
Operating grants and contributions	122,303	80,007
Capital grants and contributions		
Total business type activities program revenues	<u>122,303</u>	<u>80,007</u>
Total charter school program revenues	<u>\$ 524,562</u>	<u>\$ 564,015</u>
Net (Expense)/Revenue		
Governmental activities	(2,633,739)	(1,342,587)
Business-type activities	(16,787)	(31,835)
Total charter school-wide net expense	<u>(2,650,526)</u>	<u>(1,374,422)</u>
General Revenues and Other Changes in Net Position		
Governmental activities:		
Property taxes levied for general purposes, net	464,168	232,623
Grants and contributions	2,700,172	1,512,178
Miscellaneous income	6,135	142,888
Transfers	(18,426)	(30,195)
Total governmental activities	<u>3,152,049</u>	<u>1,857,494</u>
Business-type activities:		
Transfers	18,426	30,195
Total business-type activities	<u>18,426</u>	<u>30,195</u>
Total charter school-wide	<u>\$ 3,170,475</u>	<u>\$ 1,887,689</u>
Change in Net Position		
Governmental activities	\$ 536,736	\$ 514,907
Business-type activities	(16,787)	(1,640)
Total charter school	<u>\$ 519,949</u>	<u>\$ 513,267</u>

Notes

GASB requires that ten year of statistical data be presented. However, only two years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TWO FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

J-3

	Fiscal Year Ended June 30,	
	2013	2012
General Fund		
Unreserved	\$ 1,033,216	\$ 503,406
Total general fund	<u>\$ 1,033,216</u>	<u>\$ 503,406</u>
All Other Governmental Funds		
Reserved	\$ -	\$ -
Unreserved, reported in:		
Special revenue fund	-	-
Capital projects fund	-	-
Debt service fund	-	-
Permanent fund	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>

Notes

GASB requires that ten year of statistical data be presented. However, only two years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TWO FISCAL YEARS
(UNAUDITED)**

J-4

Function	Fiscal Year Ended June 30,	
	2013	2012
Revenues		
Local tax levy	\$ 464,168	\$ 232,623
Miscellaneous	6,135	566,144
State sources	2,700,172	1,537,897
Federal sources	378,015	35,034
Total Revenue	<u>3,548,490</u>	<u>2,371,698</u>
Expenditures		
Instruction	1,377,177	945,065
Administration	967,159	500,891
Support Services	680,162	399,335
Capital Outlay	-	23,000
Total Expenditures	<u>3,024,498</u>	<u>1,868,291</u>
Net change in fund balances	<u>\$ 523,992</u>	<u>\$ 503,407</u>

Source: Charter School's Records

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TWO FISCAL YEARS
(UNAUDITED)**

J-5

<u>Function</u>	<u>Fiscal Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Other local revenues		
Miscellaneous	\$ <u>6,135</u>	\$ <u>142,888</u>
Total other local revenue	\$ <u><u>6,135</u></u>	\$ <u><u>142,888</u></u>

Source: Charter School's Records

**GREAT OAKS CHARTER SCHOOL
 COUNTY OF ESSEX, NEW JERSEY
 RATIO OF OUTSTANDING DEBT BY TYPE
 (UNAUDITED)**

J-10

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participatio n	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2013	-	-	-	-	-	-	0.00%	-

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

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

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TWO FISCAL YEARS
(UNAUDITED)**

J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2012	277,540	\$ 13,973,861,460	\$ 50,349	15.00%
2013	277,540	\$ 13,973,861,460	\$ 50,349	15.00%

Source:

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

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

^c Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

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

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
PRINCIPAL EMPLOYERS
CURRENT YEAR
(UNAUDITED)**

J-15

2013			
Employer	Employees	Rank [Optional]	Percentage of Total Municipal Employment
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airlines	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	103,126		73.66%

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Paterson-Economy.html>

GREAT OAKS CHARTER SCHOOL
 COUNTY OF ESSEX, NEW JERSEY
 FULL-TIME EQUIVALENT CHARTER SCHOOL
 EMPLOYEES BY FUNCTION/PROGRAM
 LAST TWO FISCAL YEARS
 (UNAUDITED)

J-16

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Instruction		
Regular	8	5
Special education	1	1
Other instruction	46	24
Support Services:		
General administration	7	3
Other support services	1	1
Total	<u>63</u>	<u>34</u>

Source: Charter School Personnel Records

GREAT OAKS CHARTER SCHOOL
 COUNTY OF ESSEX, NEW JERSEY
 OPERATING STATISTICS
 LAST TWO FISCAL YEARS
 (UNAUDITED)

J-17

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2012	127	\$ 1,404,265	\$ 11,057	N/A	30	1:4	127.0	120	N/A	94.49%
2013	196	3,024,498	15,431	39.56%	55	1:4	196.0	186	55.17%	95.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHOOL BUILDING INFORMATION
LAST TWO FISCAL YEARS
(UNAUDITED)**

J-18

	Fiscal Year Ended June 30,	
	2013	2012
Square Feet	15,000	10,000
Capacity (students)	200	150
Enrollment	196	127

Source: School Records

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES
BY SCHOOL FACILITY*
LAST TWO FISCAL YEARS
(UNAUDITED)**

J-19

2012	\$ 306,369
2013	<u>565,294</u>
Total	<u>\$ 871,663</u>

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

Source: Charter School records

**GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
INSURANCE SCHEDULE
JUNE 30, 2013
(UNAUDITED)**

J-20

	<u>Coverage</u>
Commercial General Liability:	
Each Occurrence	\$ 1,000,000
Damage to Rented Premises	100,000
Medical Expense Limit Per Person	5,000
Personal and Adv Injury	1,000,000
General Aggregate	2,000,000
Products - Comp/Op Agg	2,000,000
 Excess/Umbrella Liability:	
Each Occurrence	4,000,000
Aggregate	4,000,000
 Workers Compensation and Employers Liability:	
E.L Each Accident	1,000,000
E.L Disease - EA Employee	1,000,000
E.L Disease - Policy Limit	1,000,000
 Directors & Officers Bonds	 1,000,000
 Property	 100,000

GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
FINANCIAL PERFORMANCE-FISCAL RATIOS
JUNE 30, 2013
(UNAUDITED)

J-21

	2011 Audit	2012 Audit	2013 Audit
Cash	N/A	470,157	711,698
Current Assets	N/A	610,068	1,128,569
Total Assets	N/A	621,568	1,128,569
Current Liabilities	N/A	108,301	95,353
Total Liabilities	N/A	108,301	95,353
Net Position	N/A	513,267	1,033,216
Total Revenue	N/A	2,451,704	3,695,037
Total Expenses	N/A	1,938,437	3,175,088
Change in Net Position	N/A	513,267	519,949
Depreciation Expense	N/A	11,500	11,500
Interest Expense	N/A	0	0
Principal Payments	N/A	0	0
Interest Payments	N/A	0	0
Final Average Daily Enrollment	N/A	127.00	196.00
March 30th Budgeted Enrollment	N/A	133.00	200.00

RATIOS ANALYSIS				
Near Term Indicators	2011	2012	2013	3 YR CUM
1a. Current Ratio	N/A	5.63	11.84	N/A
1b. Unrestricted Days Cash	N/A	88.53	81.81	N/A
1c. Enrollment Variance	N/A	95%	98%	N/A
1d. Default	N/A	N/A	N/A	N/A
Sustainability Indicators				
2a. Total Margin	N/A	21%	14%	N/A
2b. Debt to Asset	N/A	0.17	0.08	N/A
2c. Cash Flow	N/A	470,157	241,541	N/A
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	N/A

Notes

Three years of cumulative data is required to be presented. However, only two years of data is available. Each year thereafter, an additional year's data will be included until three years of cumulative data is presented.

SINGLE AUDIT SECTION

EXHIBIT K-1

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

The Honorable Chairperson and
Members of the Board of Trustees
Great Oaks Charter School
County of Essex
Newark, New Jersey

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Great Oaks Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon, dated November 25, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS – CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Board of Trustees of the Charter School in the separate *Auditor's Management report on Administrative Findings – Financial, Compliance, and Performance* dated November 25, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bennie L. Hadnott, CPA
Licensed Public School Accountant
No. 20CS00247800



BCA Watson Rice LLP
Certified Public Accountant and Advisors

Rutherford, New Jersey
November 25, 2013

EXHIBIT K-2

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY STATE OF NEW JERSEY OMB CIRCULAR 04-04

The Honorable Chairperson and
Members of the Board of Trustees
Great Oaks Charter School
County of Essex,
Newark, New Jersey

Compliance

We have audited the Great Oaks Charter School (“the Charter School”), in the County of Essex, State of New Jersey’s (“the Charter School’s”) with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on the Charter School’s major state program for the year ended June 30, 2013. The Charter School’s major state program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for the Charter School’s major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and State of New Jersey Department of Treasury Circular OMB-04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and State of New Jersey Department of Treasury Circular OMB-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 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Charter School’s compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY STATE OF NEW JERSEY OMB CIRCULAR 04-04 – CONTINUED

Opinion on the Major State Program

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with State of New Jersey Department of Treasury Circular 04-04-OMB, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

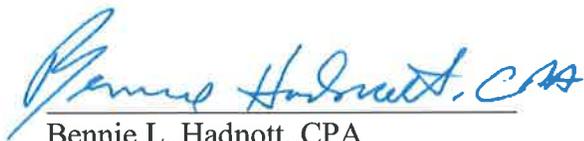
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of State of New Jersey Department of Treasury Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY STATE OF NEW JERSEY OMB CIRCULAR 04-04 – CONTINUED

Report on Schedule of Expenditures of State Financial Assistance Required New Jersey OMB Circular 04-04

We have audited the basic financial statements of the Charter School as of and for the year ended June 30, 2013, and have issued our report thereon dated November 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



Bennie L. Hadnott, CPA
Licensed Public School Accountant
No. 20CS00247800



BCA Watson Rice LLP
Certified Public Accountant and Advisors

Rutherford, New Jersey
November 25, 2013

GREAT OAKS CHARTER SCHOOL
 SCHEDULE OF EXPENDITURES
 YEAR ENDED JUNE 30, 2013

K-3

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Grant Period	Award Amount	Balance at June 30, 2013	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2013	Deferred Revenue at June 30, 2013	Due to Grantor at June 30, 2013
Special Revenue Fund:												
U.S. Department of Education:												
Passed-Through State Department of Education												
Title I Part A - FY 2012-2013	84.010A	9/1/12-8/31/13	\$211,574	\$ (13,356)	\$ -	\$ -	\$ 101,821	\$ (107,630)	\$ -	\$ (19,165)	\$ -	\$ -
IDEA Part B - FY 2012-2013	84.027	9/1/12-8/31/13	29,866	(21,678)	-	-	21,678	(29,866)	-	(29,866)	-	-
Title II A - FY 2012-2013	84.367	9/1/12-8/31/13	4,251	-	-	-	-	(4,251)	-	(4,251)	-	-
Total for U.S. Department of Education				<u>(35,034)</u>	<u>-</u>	<u>-</u>	<u>123,499</u>	<u>(141,747)</u>	<u>-</u>	<u>(53,282)</u>	<u>-</u>	<u>-</u>
U.S. Corporation for National and Community Service:												
Passed-Through New Jersey State Service Commission												
AmeriCorps	94.006	9/1/12-6/30/13	242,000	-	-	-	119,727	(236,268)	-	(116,541)	-	-
Total for U.S. Corporation for National and Community Service				<u>-</u>	<u>-</u>	<u>-</u>	<u>119,727</u>	<u>(236,268)</u>	<u>-</u>	<u>(116,541)</u>	<u>-</u>	<u>-</u>
Total Special Revenue				<u>-</u>	<u>-</u>	<u>-</u>	<u>243,226</u>	<u>(378,015)</u>	<u>-</u>	<u>(169,823)</u>	<u>-</u>	<u>-</u>
Enterprise Fund:												
U.S. Department of Agriculture												
Passed-Through New Jersey Dept of Agriculture												
National School lunch program	10.555	7/1/12-6/30/13	69,164	-	-	-	63,554	(69,164)	-	(5,610)	-	-
National School lunch program	10.555	7/1/11-6/30/12	47,297	(3,927)	-	-	3,927	-	-	-	-	-
National School breakfast program	10.553	7/1/12-6/30/13	30,523	-	-	-	28,027	(30,523)	-	(2,496)	-	-
National School breakfast program	10.553	7/1/11-6/30/12	21,220	(1,741)	-	-	1,741	-	-	-	-	-
National After School snacks	N/A	7/1/12-6/30/13	21,014	-	-	-	19,506	(21,014)	-	(1,508)	-	-
National After School snacks	N/A	7/1/11-6/30/12	10,351	(821)	-	-	821	-	-	-	-	-
Total Enterprise Fund/Total U.S. Department of Agriculture				<u>(6,489)</u>	<u>-</u>	<u>-</u>	<u>117,576</u>	<u>(120,701)</u>	<u>-</u>	<u>(9,614)</u>	<u>-</u>	<u>-</u>
Total				<u>\$ (41,523)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,802</u>		<u>\$ -</u>	<u>\$ (179,437)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures of Federal Awards								<u>\$ 498,716</u>				

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

GREAT OAKS CHARTER SCHOOL
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2013

K-4

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2013	Deferred Revenue at June 30, 2013	Due to Grantor at June 30, 2013
State Department of Education														
General Fund:														
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	\$ 2,885,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,724,180	\$ (2,885,427)	-	\$ (195,801)	\$ -	\$ 34,554
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	1,663,963	-	-	2,198	-	-	-	-	(2,198)	-	-	-
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	97,381	-	-	-	-	-	97,381	(97,381)	-	-	-	-
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	82,114	-	-	-	-	-	82,114	(82,114)	-	-	-	-
State Non-Public Aid	13-100-034-5120-060	7/1/11-6/30/12	51,784	-	-	-	-	-	51,784	(51,784)	-	-	-	-
TPAF/FICA Reimbursements	13-495-034-5095-002	7/1/12-6/30/13	47,634	-	-	-	-	-	45,499	(47,634)	-	(2,135)	-	-
TPAF/FICA Reimbursements	12-495-034-5095-002	7/1/11-6/30/12	25,718	(5,680)	-	-	-	-	5,680	-	-	-	-	-
Total General Fund				<u>(5,680)</u>	<u>-</u>	<u>2,198</u>	<u>-</u>	<u>-</u>	<u>3,006,638</u>	<u>(3,164,340)</u>	<u>(2,198)</u>	<u>(197,936)</u>	<u>-</u>	<u>34,554</u>
State Department of Agriculture														
Enterprise Fund:														
State School lunch program	13-100-010-3350-023	7/1/12-6/30/13	1,602	-	-	-	-	-	1,473	(1,602)	-	(129)	-	-
State School lunch program	13-100-010-3350-023	7/1/11-6/30/12	1,140	(91)	-	-	-	-	91	-	-	-	-	-
Total Enterprise Fund				<u>(91)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,564</u>	<u>(1,602)</u>	<u>-</u>	<u>(129)</u>	<u>-</u>	<u>-</u>
Total				<u>\$ (5,771)</u>	<u>\$ -</u>	<u>\$ 2,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,008,202</u>		<u>\$ (2,198)</u>	<u>\$ (198,065)</u>	<u>\$ -</u>	<u>\$ 34,554</u>
Total Expenditures of State Financial Assistance										<u>\$ 3,165,942</u>				

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

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013**

K-5

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. 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.

2. BASIS OF ACCOUNTING

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

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal 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.

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- 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 funds (C-3).

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)**

K-5

**NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE – CONTINUED**

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards and state 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	\$ -	\$ 3,164,340	\$ 3,164,340
Special Revenue Fund	378,015	-	378,015
Enterprise Fund	120,701	1,602	122,303
Total	<u>\$ 498,716</u>	<u>\$ 3,165,942</u>	<u>\$ 3,664,658</u>

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. OTHER

TPAF Social Security Contributions 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, 2013.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

K-6

Part I Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes ✓ No

Significant deficiencies identified? Yes ✓ None reported

Noncompliance material to basic financial statements noted? Yes ✓ No

Federal Awards Section

Federal Awards:

On June 27, 2003, US Office of Management & Budget (OMB) amended OMB Circular A-133 to raise the audit threshold from \$300,000 to \$500,000. Thus, for fiscal years ending after December 31, 2003, organizations that expend less than \$500,000 in federal awards during a year are exempt from the single audit requirement for that year.

For the fiscal year ended June 30, 2013, the Charter School was determined to expend less than \$500,000 in federal awards and is therefore exempt from the federal single audit requirements for the fiscal year ended June 30, 2013.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

K-6

Part I Summary of Auditors' Results – Continued

State Financial Assistance Section

Dollar threshold used to distinguish between
Type A and B programs:

\$300,000

Auditee qualified as low-risk auditee?

 Yes No

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

Unmodified

Internal control over major programs:

Material weaknesses identified?

 Yes No

Significant deficiencies identified?

 Yes None

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB Circular 04-04?

 Yes No

Identification of Major Programs:

State Grant/Program Number(s)

495-034-5120-078

Name of State Program or Cluster

Equalization Aid

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

K-6

Part II – Schedule of Financial Statement Findings

None Noted.

Part III – Schedule of Federal Awards and State Financial Assistance

None Noted.

**GREAT OAKS CHARTER SCHOOL
(COUNTY OF ESSEX)
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

K-7

None Noted.